

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

Condensed Consolidated Interim Financial Statements

For the three and six months ended March 31, 2021

(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.)Unaudited Condensed Consolidated Interim Statements of Financial Position *(in Canadian dollars)*

As at		March 31, 2021	September 30, 2020
		\$	\$
ASSETS			
Current assets			
Cash		3,063,477	124,681
Trade and other receivables	Note 5	129,342	150,190
Amounts due from related parties	Note 14	12,500	14,866
Inventory	Note 6	270,794	279,224
Other assets		6,103	-
Prepaid expenses		199,241	92,076
		3,681,457	661,037
Property and equipment			
Right of use asset	Note 7	130,113	103,595
	Note 8	677,380	148,575
		4,488,950	913,207
LIABILITIES			
Current liabilities			
Line of credit	Note 9	31,228	30,000
Accounts payable and accrued liabilities		510,289	482,867
Contract liability		-	80,050
Deferred government Grant	Note 10	-	103,198
Lease obligation		-	94,650
Warranty provision		38,082	40,496
Current tax payable		55,658	59,186
Amounts due to related parties	Note 14	513,961	1,122,868
Penalty payable – short term	Note 16	93,684	175,325
		1,242,902	2,188,640
Long term debt			
Deferred government grant	Note 10	32,981	24,205
Amounts due to related parties	Note 14	27,293	16,028
Lease obligation		83,439	83,439
		682,756	60,255
		2,069,370	2,372,567
SHAREHOLDERS' EQUITY			
Share capital	Note 11	9,539,063	4,715,438
Warrants	Note 12	8,000	600,000
Contributed surplus		189,996	219,036
Deficit		(7,251,894)	(6,879,163)
Accumulated other comprehensive loss		(11,028)	(19,354)
Equity attributable to owners of the parent		2,474,138	(1,364,043)
Non-controlling interest		(54,558)	(95,317)
		2,419,579	(1,459,360)
		4,488,950	913,207
Going concern			
COVID-19	Note 2		
	Note 15		

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

On behalf of the Board

(signed) "Lindsay Weatherdon"

Lindsay Weatherdon, Director

(signed) "Jeffrey York"

Jeffrey York, Director

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

Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss (in Canadian dollars)

	Three months ended,		Six months ended,	
	March 31		March 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	840,338	802,300	1,635,222	1,471,609
Cost of goods sold	(469,051)	(476,928)	(949,200)	(827,087)
Other Income	97,850	230	101,670	230
	469,137	325,602	787,692	644,752
Operating expenses				
Consulting fees	267,267	65,160	360,115	121,821
Salaries and benefits	126,254	108,787	221,467	202,696
Stock-based compensation	64,824	-	67,693	-
Bank Charges and interest	17,114	21,550	31,778	41,625
Professional fees	84,907	66,050	188,210	165,060
Insurance	57,526	31,701	84,831	66,441
Travel and promotion	76,378	6,449	82,906	32,156
Filing fees	8,375	6,993	13,466	9,348
Agent fees	14,287	5,210	18,327	9,792
Depreciation of property and equipment	4,220	2,304	7,740	4,545
Depreciation right of use asset	14,105	42,710	28,792	85,030
Other expenses	(12,501)	102,422	14,145	216,180
	(722,756)	(459,336)	(1,119,470)	(954,694)
Other expenses				
Reversal of share-based compensation for expired options	-	-	-	(870)
Financing fees	-	-	589	24,241
Net Loss	(253,620)	(133,733)	(332,366)	(333,313)
Tax recovery				
Current tax expense	(16)	-	(35)	-
Net Loss	(253,636)	(133,733)	(332,400)	(333,313)
Other comprehensive income				
Exchange differences on translation	-	2,067	-	2,067
Total comprehensive loss	(253,636)	(131,666)	(332,400)	(331,246)
Net loss attributable to:				
Owners of parent	(276,727)	(138,333)	(371,617)	(350,125)
Non-controlling interest	23,090	4,600	39,217	16,812
	(253,636)	(133,733)	(332,400)	(333,313)
Total comprehensive loss attributable to:				
Owner of the parent	(253,636)	(131,459)	(332,400)	(328,765)
Non-controlling interest	-	(208)	-	(208)
	(253,636)	(131,666)	(332,400)	(328,973)
Basic and diluted loss per common share	(0.003)	(0.003)	(0.005)	(0.007)
Basic and diluted weighted average number of common shares outstanding	74,177,247	47,012,257	74,177,247	47,012,257

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

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

Unaudited Condensed Consolidated Interim Statements of Changes in Equity *(in Canadian dollars)*

	Share capital		Warrants	Contributed Surplus	Deficit	Accumulated other comprehensive income	Equity attributable to owners of the parent	Non- controlling interest	Total
	Number of shares	\$	\$	\$	\$	\$	\$	\$	\$
Balance, September 30, 2019	47,012,257	4,612,438	608,000	203,099	(6,415,476)	(10,972)	(1,002,911)	(134,353)	(1,137,263)
Net loss	-	-	-	-	(350,125)	-	(350,125)	-	(350,125)
Share-based compensation (Note 13)	-	-	-	(870)	-	-	(870)	-	(870)
Exchange differences on translating foreign operations	-	-	-	-	-	(2,066)	(2,066)	16,812	14,746
Balance, March 31, 2020	47,012,257	4,612,438	608,000	202,228	(6,765,601)	(13,038)	(1,355,972)	(117,540)	(1,473,512)
Net loss	-	-	-	-	(463,687)	-	(463,687)	39,971	(423,716)
Share-based compensation (Note 13)	-	-	-	15,937	-	-	15,937	-	15,937
Warrant exercised (Note 12)	750,000	103,000	(8,000)	-	-	-	95,000	-	95,000
Exchange differences on translating foreign operations	-	-	-	-	-	(8,382)	(8,382)	(936)	(9,318)
Balance, September 30, 2020	47,762,257	4,715,438	600,000	219,036	(6,879,163)	(19,354)	(1,364,043)	(95,317)	(1,459,360)
Net Loss	-	-	-	-	(84,805)	-	(84,805)	17,261	(67,544)
Share-based compensation (Note 13)	-	-	-	2,870	-	-	2,870	-	2,870
Exchange differences on translating foreign operations	-	-	-	-	-	(8,372)	(8,372)	(935)	(9,307)
Balance, December 31, 2020	47,762,257	4,715,438	600,000	221,906	(6,963,967)	(27,726)	(1,454,349)	(78,992)	(1,533,341)
Net loss	-	-	-	-	(276,726)	-	(276,726)	39,217	(237,509)
Shares issued for loan repayment	5,131,313	635,000	-	-	-	-	635,000	-	635,000
Warrants exercised (Note 12)	18,500,000	3,922,000	(592,000)	-	-	-	3,330,000	-	3,330,000
Stock options exercised	2,783,677	266,625	-	(96,733)	-	-	169,892	-	169,892
Share-based compensation (Note 13)	-	-	-	64,824	-	-	67,693	-	64,824
Exchange differences on translating foreign operations	-	-	-	-	(11,201)	16,698	5,498	(14,783)	(9,286)
Balance, March 31, 2021	74,177,247	9,539,063	8,000	189,996	(7,251,894)	(11,028)	2,474,138	(54,558)	2,419,580

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

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

Unaudited Condensed Consolidated Interim Statements of Cash Flow (in Canadian dollars)

	Three months ended, March 31		Six months ended, March 31	
	2021 \$	2020 \$	2021 \$	2020 \$
OPERATING ACTIVITIES				
Net Income (Loss)	(253,636)	(133,733)	(332,400)	(333,313)
Adjustment for:				
Non-cash adjustments	4,894	-	4,894	-
Interest accretion	-	23,444	-	47,685
Share-based compensation	(31,910)	-	(29,040)	(870)
Depreciation of tangible assets	4,220	2,304	7,740	72,175
Depreciation right of use asset	14,105	42,710	28,792	42,709
Lease obligation	(22,027)	19,500	(43,513)	19,500
Unpaid interest	1,370	(11,533)	3,181	(23,240)
Changes in working capital items	(780,011)	121,066	(829,693)	175,891
Cash flows from (used in) operating activities	(1,062,995)	63,758	(1,190,040)	537
INVESTING ACTIVITIES				
Additions to property and equipment	(26,761)	-	(26,761)	-
Cash flows used in investing activities	(26,761)	-	(26,761)	-
FINANCING ACTIVITIES				
Proceeds from line of credit	(42,762)	20,000	1,228	35,000
Loan proceeds	(75,952)	-	(83,157)	-
Penalty paid	-	(32,544)	-	(32,544)
Change in amounts due to	-	37,313	-	127,733
Common shares issued	4,231,625	-	4,231,625	-
Cashflows from financing activities	4,112,911	24,769	4,149,696	130,189
Increase (decrease) in cash	3,023,155	88,527	2,932,895	130,726
Cash, beginning of the period	40,860	31,730	124,681	15,263
Exchange differences on cash	(537)	(15,044)	5,901	(40,776)
Cash, end of the period	3,063,477	105,213	3,063,477	105,213

Supplemental information

Changes in working capital items consist of the following:

Amounts recoverable	(50,337)	(194,301)	15,955	(284,411)
Inventory	(54,669)	(9,810)	8,430	(2,588)
Prepaid expenses	(55,907)	445	(107,165)	14,939
Other assets	(6,103)	-	(6,103)	-
Accounts payable and accrued liabilities	218,019	417,222	27,422	542,257
Contract liability	(133,102)	(92,490)	(80,050)	(94,306)
Penalty payable	(50,902)	-	(81,641)	-
Due to related parties	647,010	-	(606,541)	-
	(780,011)	121,066	(829,693)	175,891

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

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 was 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 three months ended March 31, 2021, the Company had cash of \$3,063,477 (2020 - \$124,681), working capital of \$2,438,555 (2020 – negative working capital \$1,527,603) and had negative cash flows from operating activities of \$1,062,995 (2020 – positive cash flow \$63,758). The Company incurred a net loss of \$253,636 (2020 - \$133,733) for the quarter ended March 31, 2021 and as of that date had an accumulated deficit of \$7,251,894 (2020 - \$6,879,163).

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, reduce costs and obtain the required financing. 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 condensed 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 financial statements, then adjustments would be necessary to the carrying amount of assets and liabilities, the reported expenses, and the consolidated statement of financial position classifications used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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, 2020 and 2019, which have been prepared in accordance with Internal Financial Reporting Standards ('IFRS').

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 28, 2021.

(b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value, and are expressed in Canadian dollars, which is also the functional currency of the Company.

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 financial statements for the years ended September 30, 2020 and 2019.

(c) Judgments, estimates and assumptions

The Company's condensed consolidated interim financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the condensed consolidated interim financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as management believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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 condensed consolidated interim 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 interim 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.

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.

Estimates and assumptions

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.

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.

Expected credit loss

The Company calculates expected credit loss ("ECLs") for trade receivables and amounts due from related parties based on the historical default rates over the expected life of the trade receivable and adjusts for forward-looking estimates, which is determined through the exercise of judgment. The Company's ECL model relies on forward looking information and economic inputs, such as default rates, industry growth rate, geography etc. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. The allowance the Company records, if any, is the sum of these probability weighted outcomes.

There is no history of a default on an amount due from a related party. The Company does not record an allowance for ECL on amounts due from related parties.

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. The impact could negatively impact the condensed consolidated interim statement of loss and comprehensive loss.

Warranty provision

Management makes estimates in determining an appropriate warranty provision, based on past history of warranty claims. The impact could negatively impact the condensed consolidated interim statement of loss and comprehensive loss.

Impairment of mineral exploration properties and exploration and evaluation assets

Management makes a determination 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 share-based compensation and warrants require 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 share-based compensation and warrants granted and the time of exercise of those share-based compensation and warrants. The valuation model used by the Company is the Black-Scholes model.

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 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

The Company condensed consolidated interim financial statements consolidate those of the parent company and all of its subsidiaries as at and for the period ended March 31, 2021. 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, 2020.

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 equity, 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 chart below summarizes the entities included in the condensed consolidated interim financial statements as at March 31, 2021 and September 30, 2020:

Ownership interests as at					
Name of subsidiary	Functional Currency	Place of incorporation	March 31, 2021	September 30, 2020	Principal activity
Braille Energy System Inc.	CAD	Canada	Parent	Parent	Holding company
Braille Holdings Inc.	USD	United States	89.95%	89.95%	Holding company
Braille Battery Inc.	USD	United States	100% (1)	100% (1)	Production and sale of Li-Ion batteries

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

(e) Business combinations

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred, the amount recognized for non-controlling interest and the acquisition-date fair value of any existing equity interest in the acquiree exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the "net identifiable assets"), the difference is treated as goodwill. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses. Goodwill is reviewed at least annually for impairment or when there is an indication of potential impairment.

4. FINANCIAL INSTRUMENTS

Carrying amounts of financial assets and liabilities

The table below summarizes the carrying values of the Company's financial assets and financial liabilities.

	March 31, 2021	September 30, 2020
	\$	\$
Assets - based on amortized cost (1)	3,205,319	263,935
Liabilities - based on amortized cost (2)	2,621,132	2,073,609

(1) Includes cash, trade receivables, and amounts due from related parties

(2) Includes accounts payable, accrued liabilities, line of credit, short term loan, long term debt, penalty payable and amounts due to related parties.

The carrying values of cash, accounts and other receivables, amounts due from related parties, accounts payable and accrued liabilities, penalty payable, amounts due to related parties approximate their fair values due to their relatively short periods to maturity.

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 risks, 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 recognized 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 prior year.

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's working capital \$2,438,555 at March 31, 2021 including \$3,063,477 in cash and current liabilities totaling \$1,242,902 due within the next twelve months. 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.

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	March 31, 2021	September 30, 2020
	\$	\$
Trade receivables	180,358	136,114
Allowance for expected credit loss	(11,045)	(11,727)
Bad debt	(4,894)	-
Financial asset	164,420	124,387
Tax receivable	-	-
Sales tax receivable	(35,078)	25,803
Total amounts receivable	129,342	150,190

These amounts are collectable within a short-term period and the net carrying value reasonably approximates the fair value of the receivables.

Allowance for expected credit loss

	March 31, 2021	September 30, 2020
	\$	\$
Allowance for expected credit loss beginning of year	11,045	-
Amount re-stated through opening retained earnings under IFRS 9	-	-
Opening credit loss provision at October 1st	11,045	2,246
Expected credit loss recognized during the year	4,894	(1,180)
Receivables written off during the year net of recoveries	-	10,661
Allowance for expected credit loss end of period	15,939	11,727

Aging of trade accounts receivable:

Age of receivables and the credit loss assessed and provided for are as shown below:

Estimated credit loss on trade receivables

<u>March 31, 2021</u>	<u>Amount receivable past due days</u>					
	Current	< 30 days	31 - 60	61 - 90	> 90 days	Total
Expected credit loss %	0%	0.50%	1%	26%	50%	
Gross carrying amount	-	144,638	21,691	-	29,997	196,325
Lifetime expected credit loss	-	723	217	-	14,998	15,939

As at March 31, 2021, no customer accounted for more than 10% (2020 – no customer, 10%) of total trade receivables. The credit risk rating related to the amounts due from related parties have not changed for these past due balances and do not require a provision.

6. INVENTORY

Inventory consists of the following:

	March 31, 2021	September 30, 2020
	\$	\$
Parts	191,092	197,041
Finished goods	79,702	82,183
Total inventory	270,794	279,224

During the period ended March 31, 2021, a total of \$469,051 (2020 - \$476,928) of inventories was included in cost of sales as an expense. This includes \$Nil (2020 - \$Nil) resulting from write-down of inventories.

7. PROPERTY AND EQUIPMENT

	Solar panels Modules \$	Solar panels Electronics \$	Moulds \$	Equipment \$	Total \$
Cost					
Balance, December 31, 2020	29,798	14,914	60,254	38,958	143,924
Adjustment	-	-	-	55,402	55,402
Additions	-	-	-	41,939	41,939
Net exchange differences	970	486	2,915	6,594	10,965
Cost, March 31, 2021	30,768	15,400	63,169	142,893	252,230
Accumulated depreciation					
Balance, December 31, 2020	4,784	3,240	13,177	30,147	51,348
Adjustment	-	-	-	55,402	55,402
Depreciation	466	316	1,566	1,873	4,221
Net exchange differences	183	124	4,950	5,887	11,144
Accumulated depreciation, March 31, 2021	5,433	3,680	19,693	93,309	122,117
Net book value, March 31, 2021	25,335	11,720	43,476	49,584	130,113

	Solar panels Modules \$	Solar panels Electronics \$	Moulds \$	Equipment \$	Total \$
Cost					
Balance, September 30, 2020	32,689	16,362	65,360	39,600	154,012
Additions	-	-	-	-	-
Net exchange differences	(2,892)	(1,448)	(5,106)	(642)	(10,089)
Cost, December 31, 2020	29,798	14,914	60,254	38,958	143,923
Accumulated depreciation					
Balance, September 30, 2020	4,698	3,299	12,679	29,741	50,417
Depreciation	550	256	1,615	903	3,324
Net exchange differences	(464)	(315)	(1,117)	(497)	(2,393)
Accumulated depreciation, December 31, 2020	-	-	-	-	51,348
Net book value, December 31, 2020	29,798	14,914	60,254	38,958	92,575

8. RIGHT OF USE ASSETS

	Office (BESI)	Office (Braille Battery)	Office Equipment	Total
	\$	\$		\$
Cost				
Balance, December 31, 2020	54,247	150,116	25,920	230,283
Additions	-	-	-	-
Additions (1)	-	579,153	-	579,153
Net exchange differences	-	2,928.00	104	3,032
Cost, March 31, 2021	54,247	732,197	26,024	812,468
Accumulated depreciation				
Balance, December 31, 2020	33,904	71,445	6,836	112,185
Depreciation	6,781	6,685	640	14,106
Overhead allocation	-	6,685	640	7,325
Net exchange differences	-	1,343	128	1,471
Accumulated depreciation, March 31, 2021	40,685	86,158	8,244	135,087
Net book value, March 31, 2021	13,562	646,039	17,780	677,380

(1) The existing lease was extended for 5 more years till April 30, 2027 and additional space was also acquired for operations and battery assembly.

	Office (BESI)	Office (Braille Battery)	Office Equipment	Total
	\$	\$		\$
Cost				
Balance, September 30, 2020	54,247	162,380	28,038	244,665
Additions	-	-	-	-
Additions	-	-	-	-
Net exchange differences	-	(12,264)	(2,118)	(14,382)
Cost, December 31, 2020	54,247	150,116	25,920	230,283
Accumulated depreciation				
Balance, September 30, 2020	27,123	62,967	6,000	96,090
Depreciation	6,781	6,895	657	14,333
Net exchange differences	-	1,583	179	1,762
Accumulated depreciation, December 31, 2020	33,904	71,445	6,836	112,185
Net book value, December 31, 2020	20,343	78,671	19,084	118,098

9. LINE OF CREDIT

The company has an unsecured line of credit with the Royal Bank of Canada. The credit limit on the line of credit is \$75,000 Canadian dollars. The line of credit bears an interest rate of 5.73% and does not have an expiry date. At March 31, 2021, \$31,228 Canadian dollars were drawn on this account. The line of credit is secured with a general security agreement over the Company's property.

10. DEFERRED GOVERNMENT GRANT

On May 7, 2020, the Company received a loan under Paycheck Protection Program ("PPP Loan") for USD \$77,250. The purpose of this loan was to provide payroll support to companies due to the economic difficulties caused by COVID-19.

On March 9, 2021, this loan for USD \$77,250 was fully forgiven.

On January 7, 2021, the Company received additional \$20,000 loan from the Canada Emergency Business Account ("CEBA Loan"). The Company had earlier received \$40,000 CEBA loan on April 29, 2020. The CEBA Loan bears 0% interest until December 31, 2022. If the balance is not paid by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest paid monthly, effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025. No principal payments required until December 31, 2022. Principal repayments can be voluntarily made at any time without fees or penalties. \$20,000 loan forgiveness is available, provided the outstanding balance is \$60,000 and \$40,000 is paid back between January 1, 2021 and December 31, 2022. The loan was recognized at the fair value based on an estimated market interest rate of 10% and expected repayment of \$40,000 on December 31, 2022. The Company made no interest payments for the period ended March 31, 2021. The difference between the loan amount of \$60,000 and the fair value of the loan of \$31,083 has been recognized as a deferred government grant to be recognized over the term of the loan. As at March 31, 2021, grant revenue in the amount of \$548 (2020 – 1,076) has been recorded in other income which represents the benefit of receiving an interest free-grant. An accretion interest expense of \$589 was recorded till March 31, 2021.

11. SHARE CAPITAL

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

Issued and fully paid

	Number of shares	Share capital
Balance, September 30, 2018 and September 30, 2019	47,012,257	4,612,438
Shares issued for cash	-	-
Share issuance costs	-	-
Balance, September 30, 2019	47,012,257	4,612,438
Warrants exercised	750,000	103,000
Balance, September 30, 2020 and December 31, 2020	47,762,257	4,715,438
Stock option exercised	2,783,677	266,625
Shares issued for loan repayment	5,131,313	635,000
Warrants exercised	18,500,000	3,922,000
Balance, March 31, 2021	74,177,047	9,539,063

12. WARRANTS

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

The following table reflects the continuity of warrants:

	March 31, 2021			September 30, 2020		
	Number of warrants	Exercise price	Remaining contractual life	Number of warrants	Exercise price	Remaining contractual life
Outstanding, beginning of year	18,750,000	\$0.18	1.22	19,000,000	\$0.18	1.72
Granted	-	-	-	500,000	\$0.10	0.23
Forfeited	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Exercised	(18,500,000)	\$0.18	-	(750,000)	\$0.13	-
Outstanding	250,000	\$0.18	1.22	18,750,000	\$0.18	1.72
Exercisable	250,000	\$0.18	1.22	18,750,000	\$0.18	1.72

As at March 31, 2021 and September 30, 2020, the following warrants were issued and outstanding:

As at March 31, 2021			
Number of Warrants	Issue Date	Fair Value	Exercise Price
250,000		\$8,000	\$0.18
			Exercise Date
			June 22, 2022

As at September 30, 2020			
Number of Warrants	Issue Date	Fair Value	Exercise Price
18,750,000		\$600,000	\$0.18
			Exercise Date
			June 22, 2022

13. SHARE-BASED COMPENSATION

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:

	March 31, 2021		September 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	8,663,451	\$0.05	4,028,451	\$0.06
Granted	3,000,000	\$0.24	4,695,000	\$0.05
Forfeited	-	-	-	-
Exercised	(2,783,678)	\$0.06	-	-
Expired	-	-	(60,000)	\$0.06
Outstanding	8,879,773	\$0.11	8,663,451	\$0.05

Outstanding and Exercisable

March 31, 2021			September 30, 2020		
Exercise prices	Number outstanding	Weighted average Remaining contractual life	Exercise prices	Number outstanding	Weighted average Remaining contractual life
\$0.10	352,273	0.85	\$0.10	1,028,451	1.35
\$0.05	870,000	3.07	\$0.05	2,940,000	3.56
\$0.05	4,657,500	4.25	\$0.05	4,695,000	4.75
\$0.24	3,000,000	5.18			
\$0.11	8,879,773	4.31	\$0.10	8,663,451	4.01

The fair value of options granted is determined using the Black-Scholes option pricing model. The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the options. The following assumptions were used for options granted in the year.

Share based compensation granted in the period	March 31, 2021
Grant date fair value	\$0.02
Expected life of stock options (years)	5
Expected stock price volatility	204%
Risk-free interest rate	0.50%
Expected dividend yield	-

Share-based compensation is recorded as an increase to contributed surplus and is transferred to share capital when the underlying options are exercised. A total of 3,000,000 share-based options were granted during the period ended March 31, 2021 at an exercise price of \$0.24 with a grant date fair value of \$1,239,087. The options vest at a rate of 5% on grant date, 5% quarterly following grant date until June 30, 2023, and starting at September 30, 2023 at a rate of 10% quarterly until September 30, 2024. Total share-based compensation expenses during the period relating to the current and prior year grants was \$64,842 (2020 - \$15,937).

14. RELATED PARTY TRANSACTIONS

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

Amount Due from related parties	March 31, 2021	September 30, 2020
	\$	\$
Focus Graphite	2,500	2,500
JAG Equipment	10,000	10,000
Officer of the company	-	2,366
	12,500	14,866

Amount Due to related parties	March 31, 2021	September 30, 2020
	\$	\$
Current		
Grafoid Inc.	1,618	683,641
9174893 Canada Inc	129,274	125,875
Focus Graphite	36,737	36,737
Fabracor Inc	151	151
GGTC Inc.	149,043	88,018
JAGAL	27,628	31,640
Director of the Company	1,301	-
Muanalysis	1,356	1,356
Officer of the company	(2,467)	2,819
Thombeth Holding Inc	169,318	152,631
	513,961	1,122,868
Long Term		
9174893 Canada Inc.	40,000	40,000
9174893 Canada Inc.	43,439	43,439
	83,439	83,439

Other Officers of the Company

As at March 31, 2021, included in amounts due from related party is a corporate travel advance of \$2,467 (2020 - \$2,467) made to an Officer of the Company.

Loan from Officer

9174893 Canada Inc.

As at March 31, 2021, included in amounts due to related parties is an amount of \$129,274 (2020 - \$125,875) due to an Officer of the Company. The amount relates to a loan of \$85,327 (2020 - \$85,327), accrued interest of \$43,946 (2020 - \$37,532) and loss on foreign exchange of \$Nil (2020 - \$Nil). The loan provided in US dollars, was given to the Company to provide working capital and was payable on May 31, 2019. The loan bears interest at a rate of 10% per annum. The loan has been extended to a maturity date of May 31, 2020. During the quarter ended March 31, 2021, the Officer charged the Company interest \$Nil (2020 - \$18,371). During the period ended March 31, 2021, the Company made \$Nil loan repayments (2020 - \$Nil).

As at March 31, 2021, included in amounts due to related parties is an amount of \$40,000 (2020 - \$40,000) due to an Officer of the Company. 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 period ended March 31, 2021, the officer charged the Company interest of \$Nil (2020 - \$Nil).

As at March 31, 2021, included in amounts due to related parties is an amount of \$43,439 (2020 - \$43,439) due to an Officer of the Company. 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 January 31, 2018 in consulting fees due to the Officer. The loan is repayable on February 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 period ended March 31, 2021, the Officer charged the Company interest of \$Nil (2020 - \$3,736). During the period ended March 31, 2021, the Company made loan repayments of \$Nil (2020 - \$Nil).

Focus Graphite Inc.

During the period ended March 31, 2021, the Company was charged \$Nil (2020 – \$3,469) by Focus Graphite Inc. (“Focus”), which shares common management, for accounting and administrative services and other administrative expenses. During the period ended March 31, 2021, the Company was charged \$Nil (2020- \$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 March 31, 2021, an amount of \$36,737 (2020 - \$36,737) is included in amounts due to related parties

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 July 2018 for approximately two years, the Company is charged \$2,483 per month (net of taxes) as effective from October 01, 2019. During the period ended March 31, 2021, GGTC charged the Company \$8,412 (2020 - \$19,500) in rent expenses. As at March 31, 2021, included in amounts due to related parties was an amount of \$149,043 (2020 - \$ 88,018).

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 an interest free promissory note due on January 1, 2020. During the quarter repayment of loan was paid by issuing 5,131,313 shares @ \$0.12375 per share.

As at March 31, 2021, an amount of \$1,618 (2020 - \$635,399) is included in the amounts due to related parties.

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 BESI. This

lease ended in July 2017. As at March 31, 2021, included in amounts due from related parties was an amount of \$10,000 (2020 – \$10,000) due to JAG Equipment.

JAGAL

During the period ended March 31, 2021, the Company was charged \$2,680 (including HST) (2020 - \$36,160) for equipment rental fees. As at March 31, 2021, included in accounts payable and accrued liabilities is \$27,628 (2020 - \$36,160).

MuAnalysis

As at March 31, 2021, included in amounts due to related parties is an amount of \$1,356 (2020 - \$1,356) which shares common management with the Company. During the period ended March 31, 2021, MuAnalysis charged the Company \$Nil (2020 - \$Nil) in rent expenses.

Thombeth Holdings Inc.

During the period ended March 31, 2021, the Company was charged \$7,190 (2020 - \$193,415) by Thombeth Holdings Inc. (“Thombeth”), a privately held company owned by a Director of the Company, for consulting fees. As at March 31, 2021, an amount of \$169,318 (2020 - \$152,631) is included in amounts due to related parties.

15. COVID

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (“COVID-19”) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact they will have on the Company's financial position or on its ability to continue as a going concern.

16. PENALTY PAYABLE

Braille Battery was under Federal Aviation Administration (“FAA”) order 2016-9156 restricting certain shipments. Braille has complied with the order and has completely updated its shipping procedures and materials and has participated in further testing as required. The order and restrictions were lifted July 23, 2018, allowing the Company to resume full shipping. Upon lifting the order and restrictions, the FAA assessed a civil penalty of \$286,651 (US \$235,000), which will be interest-free, and payable in the instalments below. As a result of COVID-19, the FAA granted the Company relief by staggering the payments as seen below as compared to that previously disclosed.

1. \$31,876 (US\$25,000) payable on or before the 1st day of October 2018
2. \$31,787 (US\$25,000) payable on or before the 1st day of March 2019
3. \$66,215 (US\$50,000) payable on or before the 31st day of December 2019
4. \$19,065 (US\$14,167) payable on or before the 31st day of December 2020
5. \$19,065 (US\$14,167) payable on or before the 29th day of January 2021
6. \$19,065 (US\$14,167) payable on or before the 26th day of February 2021

7. \$19,065 (US\$14,167) payable on or before the 31st day of March 2021
8. \$19,065 (US\$14,167) payable on or before the 30th day of April 2021
9. \$19,062 (US\$14,165) payable on or before the 31st day of May 2021
10. \$66,215 (US\$50,000) payable on or before the 30th day of September 2021.

As at March 31, 2021, the eight instalment payment was made to the FAA. As at March 31, 2021 there is a balance \$104,345 (2020 - \$175,324) remaining of which is due and payable in several instalments of which the last one is by September 30, 2021. The above transportation penalty is payable over time and bears no interest. Accordingly, the Company has discounted the payments in order to calculate the fair value on the date the penalty was determined. In the event of late payment, the transportation penalty bears interest at rate of 6%, and therefore the Company has used 6%, net of tax, as the discount rate.

17. SUBSEQUENT EVENTS

After March 21, 2021 212,500 stock options and 250,000 warrants were exercised.

Braille Energy Systems Inc. Announces Non-Brokered Private Placement

Subsequent to the quarter ended March 31, 2021, on May 28, 2021, the Company announced it plans to complete a non-brokered private placement of up to 7,812,500 units (the "Units") of the Company at a price of \$0.32 per Unit (the "Offering Price") for aggregate gross proceeds to the Company of up to \$2,500,000 (the "Offering"). Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant") of the Company. Each whole Warrant shall entitle the holder thereof to purchase one Common Share (a "Warrant Share") at a price of \$0.50 per Warrant Share for a period of 24 months from the date of issue.