

BRAILLE ENERGY SYSTEMS INC.

Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended June 30, 2022

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Financial Statements

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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.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(Expressed in Canadian dollars)

As at	June 30, 2022	September 30, 2021
	\$	\$
ASSETS		
Current assets		
Cash	2,583,148	4,207,099
Trade and other receivables (Note 4)	280,813	175,948
Amounts due from related parties (Note 18)	2,142	369
Inventory (Note 5)	1,032,718	577,574
Prepaid expenses	515,918	294,760
	4,414,739	5,255,750
Property and equipment (Note 6)	129,764	121,571
Right of use assets (Note 7)	581,915	667,354
Total assets	5,126,418	6,044,675
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	392,535	370,812
Customer deposits (Note 11)	95,596	27,935
Lease obligation (Note 20)	153,405	151,735
Warranty provision (Note 21)	41,852	39,430
Current tax payable	19,879	19,656
Amounts due to related parties (Note 18)	297,742	438,282
	1,001,009	1,047,850
Long-term debt (Note 10)	38,153	35,501
Deferred government grant (Note 9)	21,906	24,546
Lease obligation (Note 20)	479,687	540,787
Total liabilities	1,540,755	1,648,684
EQUITY		
Share capital (Note 12)	11,562,946	11,562,946
Warrants (Note 13)	16,558	16,558
Contributed surplus (Note 14)	1,870,624	517,140
Accumulated other comprehensive loss	19,178	5,524
Deficit	(9,899,364)	(7,669,918)
Equity attributable to owners of the parent	3,569,942	4,432,250
Non-controlling interest	15,721	(36,259)
Total equity	3,585,663	4,395,991
Total liabilities and equity	5,126,418	6,044,675

Going concern (Note 2)

On behalf of the Board

(signed) "Lindsay Weatherdon"
Lindsay Weatherdon, Director

(signed) "Jeffrey York"
Jeffrey York, Director

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

Braille Energy Systems Inc.

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

(Expressed in Canadian dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue	1,147,569	990,752	3,107,161	2,646,315
Cost of goods sold (Note 5)	(653,624)	(512,735)	(1,896,374)	(1,471,803)
	493,945	478,017	1,210,787	1,174,512
Operating expenses				
Consulting fees	153,399	106,012	556,395	467,762
Salaries and benefits	190,051	106,153	493,043	328,746
Stock-based compensation (Note 14)	70,256	64,824	1,353,484	132,516
Bank charges and interest	27,323	13,651	70,922	45,629
Professional fees	26,517	6,925	276,151	195,109
Insurance	52,751	11,641	164,345	96,468
Travel and promotion	48,358	35,229	133,922	117,934
Office	122,028	72,164	255,726	107,347
Research	29,942	-	29,942	-
Depreciation of property and equipment (Note 6)	5,434	5,211	15,450	13,063
Depreciation of right of use assets (Note 7)	15,368	13,380	45,766	42,280
Interest on lease obligation	7,825	-	24,119	-
Government assistance (Note 9)	(880)	-	(2,640)	(101,030)
	(748,372)	(435,190)	(3,416,625)	(1,445,824)
Other income (expense)				
Interest income	513	-	513	-
Other	26,333	-	26,333	-
Net (loss) income	(227,581)	42,827	(2,178,992)	(271,312)
Other comprehensive income				
Exchange difference on translation	37,623	12,936	15,180	12,936
Other comprehensive income	37,623	12,936	15,180	12,936
Total comprehensive (loss) income	(189,958)	55,763	(2,163,812)	(258,376)
Net (loss) income attributable to:				
Owners of the parent	(247,511)	12,751	(2,229,446)	(341,742)
Non-controlling interest	19,930	30,076	50,454	70,430
	(227,581)	42,827	(2,178,992)	(271,312)
Total comprehensive (loss) income attributable to:				
Owners of the parent	(213,670)	24,188	(2,215,792)	(330,106)
Non-controlling interest	23,712	31,575	51,980	71,730
	(189,958)	55,763	(2,163,812)	(258,376)
Basic and diluted net (loss) income per common share	(0.003)	0.0002	(0.028)	(0.006)
Basic and diluted weighted average number of common shares outstanding	80,939,748	66,219,892	80,939,748	60,086,272

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

Braille Energy Systems Inc.

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

	Share capital		Warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	Equity attributable to owners of the parent	Non-controlling interest	Total
	# of shares	\$	\$	\$	\$	\$	\$	\$	\$
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)
Shares issued for cash	4,687,500	1,500,000	-	-	-	-	1,500,000	-	1,500,000
Shares issued on exercise of warrants	18,750,000	3,975,000	(600,000)	-	-	-	3,375,000	-	3,375,000
Shares issued on exercise of options	2,996,178	283,340	-	(99,722)	-	-	183,618	-	183,618
Shares issued in settlement of amounts due to related parties (Note 18)	5,131,313	635,000	-	-	-	-	635,000	-	635,000
Stock-based compensation (Note 14)	-	-	-	132,516	-	-	132,516	-	132,516
Share issuance costs	-	(6,090)	-	-	-	-	(6,090)	-	(6,090)
Net loss	-	-	-	-	(341,742)	-	(341,742)	70,430	(271,312)
Exchange differences on translation of foreign operations	-	-	-	-	-	11,636	11,636	1,300	12,936
Balance, June 30, 2021	79,327,248	11,102,688	-	251,830	(7,220,905)	(7,718)	4,125,895	(23,587)	4,102,308
Shares issued for cash	1,612,500	516,000	-	-	-	-	516,000	-	516,000
Shares issued on exercise of warrants	-	-	-	-	-	-	-	-	-
Shares issued on exercise of options	-	-	-	-	-	-	-	-	-
Stock-based compensation (Note 14)	-	-	-	265,310	-	-	265,310	-	265,310
Share issuance costs	-	(55,742)	16,558	-	-	-	(39,184)	-	(39,184)
Net loss	-	-	-	-	(449,013)	-	(449,013)	(14,152)	(463,165)
Exchange differences on translation of foreign operations	-	-	-	-	-	13,242	13,242	1,480	14,722
Balance, September 30, 2021	80,939,748	11,562,946	16,558	517,140	(7,669,918)	5,524	4,432,250	(36,259)	4,395,991
Stock-based compensation (Note 14)	-	-	-	1,353,484	-	-	1,353,484	-	1,353,484
Net loss	-	-	-	-	(2,229,446)	-	(2,229,446)	50,454	(2,178,992)
Exchange differences on translation of foreign operations	-	-	-	-	-	13,654	13,654	1,526	15,180
Balance, June 30, 2022	80,939,748	11,562,946	16,558	1,870,624	(9,899,364)	19,178	3,569,942	15,721	3,585,663

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

Braille Energy Systems Inc.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

(Expressed in Canadian dollars)

	Nine months ended June 30,	
	2022	2021
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,178,992)	(271,312)
Adjustments for:		
Stock-based compensation (Note 14)	1,353,484	132,516
Depreciation of property and equipment (Note 6)	15,450	13,063
Depreciation of right of use assets (Note 7)	91,533	42,280
Interest on lease obligation (Note 20)	49,029	-
Interest accretion on long-term debt (Note 10)	2,652	-
Government assistance (Note 9)	(2,640)	(101,030)
Changes in non-cash working capital items (Note 15)	(814,842)	(588,084)
Net cash flows from operating activities	(1,484,326)	(772,567)
INVESTING ACTIVITIES		
Additions to property and equipment	(22,513)	(41,939)
Net cash flows from investing activities	(22,513)	(41,939)
FINANCING ACTIVITIES		
Proceeds from exercise of warrants	-	3,375,000
Proceeds from exercise of options	-	1,500,000
Draws from/(repayment of) line of credit (Note 8)	-	6,238
Other	-	(3,752)
Lease payments (Note 20)	(114,408)	-
Net cash flows from financing activities	(114,408)	4,877,486
(Decrease) increase in cash	(1,621,247)	4,062,980
Cash, beginning of the period	4,207,099	124,681
Exchange differences on cash	(2,704)	(26,348)
Cash, end of the period	2,583,148	4,161,313

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

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2022

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Braille Energy Systems 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. The head office of the Company is located at 945 Princess Street, Kingston, Ontario.

Following the change of business transaction on June 21, 2018, whereby the Company acquired an 89.95% ownership interest in Braille Holdings Inc., the Company became 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 power sport 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 did not derive any revenue from its properties. Subsequent to quarter end, on August 11, 2022, the Company completed the sale of its last remaining mineral property (Note 25).

2. GOING CONCERN ASSUMPTION AND UNCERTAINTY DUE TO COVID-19

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that 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. As at June 30, 2022, the Company had cash of \$2,583,148 and working capital of \$3,413,730. During the nine month period ended June 30, 2022, the Company had a net loss of \$2,178,992 and had negative cash flows from operations of \$1,484,326. In addition, the Company has a deficit of \$9,899,364.

Certain of 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 over the next twelve months is dependent upon continued financial support through equity and/or debt financing until the Company is able to achieve profitable operations. No assurance can be given that the Company will be successful in achieving profitable operations or obtaining the required additional financing in order to support its operations and to proceed with its plans to expand. 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.

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

Uncertainty due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, companies and others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly

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(Expressed in Canadian dollars)

estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

In the current environment, the assumptions and judgements made by the Company are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 pandemic and could lead to a material adjustment to the carrying value of the assets or liabilities affected.

3. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The condensed consolidated interim financial statements for the three and nine month periods ended June 30, 2022 are expressed in Canadian dollars, which is the functional currency of the Company. They have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). They do not include all of the information and disclosures required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's consolidated financial statements for the years ended September 30, 2021 and 2020.

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies used in the Company's financial statements for the years ended September 30, 2021 and 2020.

When preparing the condensed consolidated interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management. The judgments, estimates and assumptions applied in the condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were consistent with those applied in the Company's consolidated financial statements for the years ended September 30, 2021 and 2020.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 25, 2022.

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

As at	June 30, 2022	September 30, 2021
	\$	\$
Trade receivables	232,283	192,075
Allowance for expected credit loss	(53,127)	(38,147)
Net trade receivables	179,156	153,928
Sales taxes receivable	70,248	22,020
Other	31,409	-
Total trade and other receivables	280,813	175,948

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

Allowance for expected credit loss

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2022

(Expressed in Canadian dollars)

	Nine months ended June 30, 2022	Year ended September 30, 2021
	\$	\$
Balance, beginning of the period	(38,147)	(11,727)
Adjustment to expected credit loss	(14,980)	(26,420)
Balance, end of the period	(53,127)	(38,147)

5. INVENTORY

Inventory consists of the following:

As at	June 30, 2022	September 30, 2021
	\$	\$
Parts	767,833	429,430
Finished goods	264,885	148,144
Total inventory	1,032,718	577,574

During the nine months ended June 30, 2022, a total of \$1,896,374 of inventory was included in cost of goods sold as an expense (2021 - \$1,471,803).

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2022

(Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	Solar Panels				Total
	Modules	Electronics	Moulds	Equipment	
	\$	\$	\$	\$	\$
Cost					
Balance, September 30, 2021	31,177	15,604	62,253	75,320	184,354
Additions	-	-	-	22,513	22,513
Net exchange differences	355	178	729	1,649	2,911
Cost, June 30, 2022	31,532	15,782	62,982	99,482	209,778
Accumulated depreciation					
Balance, September 30, 2021	6,582	4,242	18,273	33,686	62,783
Depreciation	1,591	796	4,781	8,282	15,450
Net exchange differences	108	54	343	1,276	1,781
Accumulated depreciation, June 30, 2022	8,281	5,092	23,397	43,244	80,014
Net Book Value, June 30, 2022	23,251	10,690	39,585	56,238	129,764

	Solar Panels				Total
	Modules	Electronics	Moulds	Equipment	
	\$	\$	\$	\$	\$
Cost					
Balance, September 30, 2020	32,690	16,362	65,360	39,600	154,012
Additions	-	-	-	40,771	40,771
Net exchange differences	(1,513)	(758)	(3,107)	(5,051)	(10,429)
Cost, September 30, 2021	31,177	15,604	62,253	75,320	184,354
Accumulated depreciation					
Balance, September 30, 2020	4,698	3,299	12,679	29,741	50,417
Depreciation	2,115	1,059	6,357	8,333	17,864
Net exchange differences	(231)	(116)	(763)	(4,388)	(5,498)
Accumulated depreciation, September 30, 2021	6,582	4,242	18,273	33,686	62,783
Net Book Value, September 30, 2021	24,595	11,362	43,980	41,634	121,571

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2022

(Expressed in Canadian dollars)

7. RIGHT OF USE ASSETS

	Office (USA)	Office Equipment	Total
	\$	\$	\$
Cost			
Balance, September 30, 2021	777,621	26,782	804,403
Net exchange differences	8,850	305	9,155
Cost, June 30, 2022	786,471	27,087	813,558
Accumulated depreciation			
Balance, September 30, 2021	125,363	11,686	137,049
Depreciation	87,174	4,359	91,533
Net exchange differences	2,857	204	3,061
Accumulated depreciation, June 30, 2022	215,394	16,249	231,643
Net Book Value, June 30, 2022	571,077	10,838	581,915

	Office (Canada)	Office (USA)	Office Equipment	Total
	\$	\$	\$	\$
Cost				
Balance, September 30, 2020	54,247	162,380	28,038	244,665
Additions	-	622,793	-	622,793
Net exchange differences	-	(7,552)	(1,256)	(8,808)
Cost, September 30, 2021	54,247	777,621	26,782	858,650
Accumulated depreciation				
Balance, September 30, 2020	27,123	62,967	6,000	96,090
Depreciation	27,124	64,920	5,798	97,842
Net exchange differences	-	(2,524)	(112)	(2,636)
Accumulated depreciation, September 30, 2021	54,247	125,363	11,686	191,296
Net Book Value, September 30, 2021	-	652,258	15,096	667,354

During the nine month period ended June 30, 2022, the Company capitalized \$45,767 of depreciation to inventory as part of manufacturing overhead (2021 - \$Nil).

8. LINE OF CREDIT

The company has a \$75,000 line of credit with the Royal Bank of Canada, with interest payable on any outstanding balance at the rate of prime plus 1.78%. The line of credit does not have a maturity date. As at June 30, 2022, \$Nil was drawn on the line of credit (\$Nil as at September 30, 2021). The line of credit is secured with a general security agreement over the Company's property.

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

9. DEFERRED GOVERNMENT GRANTS

	Nine months ended June 30, 2022	Year ended September 30, 2021
	\$	\$
Balance, beginning of the period	24,546	119,226
PPP Loan (1)		
Amount recognized in profit or loss	-	(97,659)
Net exchange difference	-	(5,539)
CEBA Loan (Note 10)		
Initial recognition	-	11,813
Amount recognized in profit or loss	(2,640)	(3,295)
Balance, end of the period	21,906	24,546
Current	-	-
Long-term	21,906	24,546
	21,906	24,546
Total amount recognized in profit or loss for the period	2,640	100,954

(1) Paycheck Protection Program

On May 7, 2020, the Company received a loan under the US Federal Government's Paycheck Protection Program ("PPP Loan") for US\$77,250 (\$103,198 CAD). The purpose of the loan was to provide payroll support to companies due to the economic difficulties caused by COVID-19. On March 9, 2021, the entire loan was forgiven.

10. LONG TERM DEBT

	Nine months ended June 30, 2022	Year ended September 30, 2021
	\$	\$
Balance, beginning of the period	35,501	24,205
CEBA Loan		
Initial recognition	-	8,187
Interest accretion	2,652	3,109
Balance, end of the period	38,153	35,501

Under the Canada Emergency Bank Account program ("CEBA"), part of the Government of Canada's economic response plan to help Canadian businesses deal with the COVID-19 pandemic, the Company has received loans totaling \$60,000, with \$40,000 received in fiscal 2020 and another \$20,000 received in fiscal 2021. The CEBA loan is interest free until December 31, 2023, at which point any remaining balance will be

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converted into a 2 year term loan bearing annual interest at 5%. No principal payments are required until December 31, 2025. Principal repayments can be made voluntarily at any time without any fees or penalties. Up to \$20,000 of the loan may be forgiven, provided that \$40,000 is paid back by December 31, 2023.

The loans were recognized at fair value based on an estimated market interest rate of 10% and expected repayment of a total of \$40,000 on December 31, 2022, with the \$20,000 balance being forgiven. During the year ended September 30, 2020, on receipt of the first \$40,000, the Company recognized a deferred government grant in the amount of \$17,105, being the difference between the loan amount (\$40,000) and the fair value of the loan (\$22,895), which will be recognized over the term of the loan. Similarly, during the year ended September 30, 2021, on receipt of the additional \$20,000, the Company recognized an additional deferred government grant in the amount of \$11,813, being the difference between the loan amount (\$20,000) and the fair value of the loan (\$8,187), which will be recognized over the term of the loan.

During the nine month period ended June 30, 2022, other income in the amount of \$2,652 (2021 – \$Nil) was recognized in the condensed consolidated interim statements of loss and comprehensive loss, which represents the benefit of receiving the interest free loan.

11. CUSTOMER DEPOSITS

The Company requires many of its customers to prepay when placing an order. Such prepayments are recognized as customer deposits until the goods are shipped to the customer. Customer deposits are included within current liabilities in the condensed consolidated interim statements of financial position.

	June 30, 2022	September 30, 2021
	\$	\$
Customer deposits	95,596	27,935

12. SHARE CAPITAL

Authorized

An unlimited number of common shares (voting, participating and without par value)

Issued and fully paid

	Number of shares	
		\$
Balance, September 30, 2020	47,762,257	4,715,438
Shares issued for cash (1)(2)	6,300,000	2,016,000
Shares issued in settlement of amounts due to related parties (3)	5,131,313	635,000
Shares issued on exercise of warrants	18,750,000	3,975,000
Shares issued on exercise of stock options	2,996,178	283,340
Share issuance costs	-	(61,832)
Balance, September 30, 2021 and June 30, 2022	80,939,748	11,562,946

- (1) On June 10, 2021, the Company completed a private placement for gross proceeds of \$1,500,000. The private placement was comprised of 4,687,500 units at a price of \$0.32 per unit. Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant entitles

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the holder to purchase one additional common share of the Company at a price of \$0.50 until June 10, 2023. The proceeds from the financing (\$1,500,000) were allocated entirely to share capital (\$1,500,000), after which there was no residual amount to allocate to warrants. Other share issuance costs total \$24,065 and were presented as a reduction of share capital.

- (2) On July 12, 2021, the Company completed a private placement for gross proceeds of \$516,000. The private placement was comprised of 1,612,500 units at a price of \$0.32 per unit. Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.50 until July 12, 2023. In connection with the financing, the Company paid cash finders' fees of \$14,000 and issued, as additional consideration, 47,250 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.50 until July 12, 2023. The proceeds from the financing (\$516,000) were allocated entirely to share capital (\$516,000), after which there was no residual amount to allocate to warrants. The warrants issued as commissions have been recorded at a value of \$16,558 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.375, risk-free interest rate of 0.46%, expected life of warrants of 2 years, annualized volatility of 282% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants. Other share issuance costs total \$7,209 and were presented as a reduction of share capital.
- (3) On February 3, 2021, BEI issued 5,131,313 common shares of the Company, at a deemed price and approximate fair value of \$0.12375 per share, in settlement of indebtedness to Grafoid Inc. in the amount of US\$500,000 (\$635,000 CAD). The Company did not recognize a gain or loss on settlement of the debt.

13. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
		\$
Balance, September 30, 2020	18,750,000	0.18
Issued	3,197,250	0.50
Exercised	(18,750,000)	0.18
Balance, September 30, 2021 and June 30, 2022	3,197,250	0.50

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As at September 30, 2021 and June 30, 2022, the following warrants were issued and outstanding:

Number of warrants	Issue date value	Exercise price	Expiry date
	\$	\$	
2,343,750	-	0.50	June 10, 2023
806,250	-	0.50	July 12, 2023
47,250	16,558	0.50	July 12, 2023
3,197,250	16,558		

14. STOCK OPTIONS

In June 2020, the Company's Board of Directors adopted a new 20% fixed incentive stock option plan (the "New Plan") to replace the previous rolling stock option plan (the "Old Plan"). Pursuant to the New Plan, and as further amended by the Board of Directors in March 2021, options entitling the purchase of an aggregate of 14,877,949 common shares may be granted to directors, officers, employees and consultants of the Company from time to time. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the Exchange on the day prior to the date of grant of the option. Options have a maximum term of five years and terminate 3 months following the termination of the optionee's employment, office, directorship or consulting arrangement. 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 outstanding:

	Number of stock options	Weighted average exercise price
		\$
Balance, September 30, 2020	8,663,451	0.06
Granted (1)	3,000,000	0.23625
Exercised	(2,996,178)	0.06
Expired	(2,072,273)	0.06
Balance, September 30, 2021	6,595,000	0.13
Granted (2)	6,300,000	0.18
Expired	(98,750)	0.05
Balance, June 30, 2022	12,796,250	0.16

(1) On February 8, 2021, 3,000,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of \$0.23625 per share, expiring on February 8, 2026 and vesting over a three year period.

(2) On February 17, 2022, 6,300,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of \$0.18 per share, expiring on February 17, 2027

As at June 30, 2022, the following stock options were outstanding and exercisable:

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Range of 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
\$0.05	3,560,000	2.94	\$0.05	1,698,250	\$0.05
\$0.18	6,300,000	4.64	0.18	6,300,000	\$0.18
\$0.23625	2,936,250	3.67	\$0.23625	880,875	\$0.23625
	12,796,250	3.95	\$0.16	8,879,125	\$0.16

As at September 30, 2021, the following stock options were outstanding and exercisable:

Range of 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
\$0.05	3,595,000	3.69	\$0.05	1,201,000	\$0.05
\$0.23625	3,000,000	4.42	\$0.23625	450,000	\$0.23625
	6,595,000	4.03	\$0.13	1,651,000	\$0.10

The following table reflects the weighted-average fair value of stock options granted between October 1, 2020 and June 30, 2022 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Nine months ended June 30, 2022	Year ended September 30, 2021
Stock options granted	6,300,000	3,000,000
Weighted average fair value	0.18	0.31
Weighted-average exercise price	0.18	0.23625
Weighted-average market price at date of grant	0.18	0.315
Expected life of stock options (years)	5	5
Expected stock price volatility	214%	217%
Risk-free interest rate	1.75%	0.50%
Expected dividend yield	0%	0%

The underlying expected stock price volatility is based on historical data of the Company's shares over a period commensurate with the expected life of the options.

The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the options.

Stock-based compensation of \$1,353,484 (all of which relate to equity-settled stock-based payment transactions) was included in the condensed consolidated interim statements of loss and comprehensive loss for the nine month period ended June 30, 2022 (2021 - \$132,516) and credited to contributed surplus.

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15. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended June 30,	
	2022	2021
	\$	\$
Changes in non-cash working capital are as follows:		
Trade and other receivables	(24,324)	(109,633)
Amounts due from related parties	(1,733)	(101)
Inventory	(180,540)	(46,177)
Prepaid expenses	(26,234)	(349,496)
Other assets	-	(6,022)
Accounts payable and accrued liabilities	(31,041)	110,360
Customer deposits	74,198	(80,050)
Warranty provision	1,831	-
Current tax payable	-	(4,262)
Penalty payable	-	(133,499)
Amounts due to related parties	134,691	30,796
	(53,152)	(588,084)

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables (net of sales taxes receivable), amounts due from related parties, accounts payable and accrued liabilities, lease obligation, amounts due to related parties and long-term debt. The fair value of these financial instruments approximates their carrying value due to their short-term nature except for lease obligation and long-term debt where the fair value approximates their carrying value due to being subject to market rate interest.

The classification of financial instruments is as follows:

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As at	June 30, 2022	September 30, 2021
	\$	\$
Financial assets		
Amortized cost		
Cash	2,583,148	4,207,099
Trade and other receivables (net of sales taxes receivable)	210,565	153,928
Amounts due from related parties	2,142	369
Total financial assets	2,795,855	4,361,396
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	(392,535)	(370,812)
Lease obligation	(633,092)	(692,522)
Amounts due to related parties	(297,742)	(438,282)
Long-term debt	(38,153)	(35,501)
Total financial liabilities	(1,361,522)	(1,537,117)

17. RISK MANAGEMENT AND CAPITAL MANAGEMENT

Risk Management Objectives and Policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 16. The main types of risks are interest rate risk, currency risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimizing exposure to financial markets. Long-term investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets exposed to interest rate risk include cash held in investment savings accounts bearing variable interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments with maturities of 360 days or less from the original date of acquisition. As at June 30, 2022, the Company had cash balances of \$2,583,148 and interest income derived from these investments during the nine month period ended June 30, 2022 was \$513 (2021 - \$Nil). The Company has limited exposure to financial risk arising from fluctuations in variable interest rates earned on cash given the low interest rates currently in effect and the low volatility of these rates.

The \$60,000 loan received under the Government of Canada's CEBA program (Note 10) is interest free if repaid by December 31, 2023 and is subject to a fixed interest rate thereafter, so there is no associated interest rate risk.

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Currency Risk

Through its subsidiary, Braille Battery Inc., the Company operates internationally and is therefore subject to foreign currency risk. The Company reports its financial results in Canadian dollars, however most of the Company's revenue is transacted in US dollars. The Company incurs expenses in both Canadian and US dollars. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at each reporting date.

The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. A customer is considered to be in default when the trade receivable ages beyond 30 days. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

It is management's opinion that the Company is not exposed to significant credit risk. Credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. In respect of trade receivables, the Company is not exposed to significant credit risk to any single counterparty. Trade receivables consist of amounts due from a large number of customers in the automotive industry and from various geographical areas. Credit risk is mitigated by requiring new customers to either prepay their sales orders in advance or apply for short term credit by going through the Company's credit evaluation and monitoring system.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. The Company's financial assets exposed to credit risk are cash, trade and other receivables (net of sales taxes receivable) and amounts due from related parties and maximum exposure is equal to the carrying values of these assets, totalling \$2,795,855 at June 30, 2022 (\$4,361,396 at September 30, 2021).

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 inflows and outflows in day-to-day business. The Company considers expected cash flows from financial assets in assessing and managing liquidity risk. As at June 30, 2022, the Company had working capital of \$3,413,730, including cash of \$2,583,148 and current liabilities of \$1,001,009 due within the next 12 months. During the nine month period ended June 30, 2022, the Company had negative net cash flows from operations of \$1,484,326. There has been no change to management's assessment of liquidity risk compared with the prior period.

The Company has financial liabilities of \$1,361,522 of which \$843,682 are due within twelve months and \$517,840 are due in 1 to 5 years.

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. The Company manages its 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

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adjust its capital structure, the Company may issue new shares through equity offerings or acquire/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.

Management reviews its capital management approach on an ongoing basis. There have been no changes to the Company's capital management approach during the nine month period ended June 30, 2022.

18. RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these consolidated financial statements are as follows. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

Amounts due from related parties

As at	June 30, 2022	September 30, 2021
	\$	\$
Grafoid Inc.	2,142	369

Amounts due to related parties

As at	June 30, 2022	September 30, 2021
	\$	\$
9174893 Canada Inc.	208,460	209,314
9176055 Canada Inc.	-	9,233
Focus Graphite Inc.	-	2,703
GGTC Inc.	-	126,170
Grafoid Inc.	52,614	54,194
2608861 Ontario Inc.	36,668	36,668
	297,742	438,282

9174893 Canada Inc.

As at June 30, 2022, included in amounts due to related parties is an amount of \$208,460 (\$209,314 as at September 30, 2021) due to 9174893 Canada Inc., a company owned by a former officer of the Company, who resigned in August 2020. The amount relates to loans made to the Company (\$123,384), accrued interest and fees on the loans (\$41,637) and unpaid consulting fees (\$43,439). The amount is non-interest bearing and is considered to be due on demand.

9176055 Canada Inc.

During the three and nine month periods ended June 30, 2022, the Company was charged \$19,062 and \$50,832 (2021 - \$12,708 and \$52,832) by 9176055 Canada Inc. ("9176055"), a company owned by an officer of the Company, for consulting fees. As at June 30, 2022, included in amounts due to related parties is an amount of \$Nil (\$9,233 as at September 30, 2021) due to 9176055.

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Focus Graphite Inc.

As at June 30, 2022, included in amounts due to related parties is an amount of \$Nil (\$2,703 as at September 30, 2021) due to Focus Graphite Inc. ("Focus"), which shares common management. The amount relates to shared office expenses.

GGTC Inc.

The Company leased space on a monthly basis from GGTC Inc. ("GGTC"), a company owned by a director and a former officer of the Company. During the three and nine month periods ended June 30, 2022, GGTC charged the Company rent in the amount of \$Nil and \$Nil (2021 - \$7,445 and \$22,335). As at June 30, 2022, included in amounts due to related parties is an amount of \$Nil (\$126,170 as at September 30, 2021).

Grafoid Inc.

On June 21, 2018, the Company purchased Braille Holdings Inc. ("Braille Holdings") from Grafoid Inc. ("Grafoid"), which shares common management. As part of the purchase price, the Company issued to Grafoid an interest-free promissory note in the amount of US\$500,000 (\$499,157 CAD at the date of acquisition), which was initially due on January 1, 2020 but was extended to January 1, 2021 and then again to January 1, 2022. On February 3, 2021, BEI issued 5,131,313 common shares of the Company, at a deemed price and approximate fair value of \$0.12375 per share, in settlement of the US\$500,000 promissory note, which had a carrying amount of \$635,000 CAD at the time. As at June 30, 2022, included in amounts due to related parties is an amount of \$Nil (\$Nil as at September 30, 2021) in respect of the promissory note.

As at June 30, 2022, included in amounts due to related parties is an amount of \$52,614 (\$54,194 as at September 30, 2021) due to Grafoid. The amounts relate to shared professional and consulting services incurred in connection with the acquisition of Braille Holdings and other office expenses.

2608861 Ontario Inc.

As at June 30, 2022, included in amounts due to related parties is an amount of \$36,668 (\$36,668 as at September 30, 2021) due to 2608861 Ontario Inc., a company owned by a director and a former officer of the company, related to equipment rental fees charged in years prior to fiscal 2021.

Thombeth Holdings Inc.

During the three and nine month periods ended June 30, 2022, the Company was charged \$56,910 and \$300,100 (2021 - \$39,826 and \$317,802) by Thombeth Holdings Inc. ("Thombeth"), a company owned by an officer/director of the Company, for consulting fees. As at June 30, 2022, included in amounts due to related parties is an amount of \$Nil (\$Nil as at September 30, 2021).

Key management compensation

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

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	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Consulting fees	75,972	52,534	350,932	368,634
Stock-based compensation	49,268	44,080	1,029,983	90,111
	125,240	96,614	1,380,915	458,745

19. COMMITMENTS

The Company's future minimum lease payments for office rent and equipment rental are as follows:

	Within 1 year	1 to 5 years	After 5 years	Total
	\$	\$	\$	\$
Office (USA)	151,785	625,210	-	776,995
Office Equipment	7,391	6,160	-	13,551
Total	159,176	631,370	-	790,546

20. LEASE OBLIGATION

	\$
Balance, September 30, 2020	154,905
Addition	622,793
Interest expense	31,752
Lease payments	(116,928)
Balance, September 30, 2021	692,522
Interest expense	49,029
Lease payments	(114,408)
Net exchange differences	5,949
Balance, June 30, 2022	633,092
Current	153,405
Long-term	479,687
	633,092

During the nine month period ended June 30, 2022, the Company capitalized \$24,910 of interest on lease obligation to inventory as part of manufacturing overhead.

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21. WARRANTY PROVISION

The Company offers a two-year warranty on most of its products. Usually, warranty claims are settled within the first year and are covered entirely by Company. After the first year, the Company offers coverage on a prorated basis, depending on when the claim is made in the second year. The calculation of the warranty provision is based on historical warranty claims by customers. As at June 30, 2022, included within current liabilities on the Company's condensed consolidated interim statements of financial position is a warranty provision of \$41,852 (\$39,430 as at September 30, 2021), which represents an estimate of expected warranty claims in the future. During the nine month period ended June 30, 2022, the Company incurred \$Nil in warranty repair costs (2021 - \$Nil).

22. PENALTY PAYABLE

In September 2016, the US Department of Transportation's Federal Aviation Administration ("FAA") issued an order to Braille Battery Inc. ("Braille"), restricting Braille from making certain types of shipments. Braille 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 on July 23, 2018, allowing the Company to resume all shipping activity. Upon lifting of the order and restrictions, the FAA assessed a civil penalty of \$286,651 (US \$235,000), which was paid in instalments over a three-year period, with the final payment having been made in September 2021.

The above penalty was payable over time and was not subject to any interest charges. Accordingly, upon initial recognition, the liability was measured by discounting the payments in order to calculate the fair value on the date that the penalty was determined. In the event of a late payment, the penalty was subject to interest at the rate of 6%, and therefore the Company used 6%, net of tax, as the discount rate.

As at June 30, 2022 and September 30, 2021, the balance of the penalty payable was \$Nil.

23. CONTINGENT LIABILITIES

The Company is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the consolidated financial statements of the Company.

During the year ended September 30, 2021, a legal claim was brought against the Company by a former officer of the Company. Pleadings are closed but productions have not been exchanged nor have examinations for discovery been completed. As such, it is too early to evaluate this claim.

24. COMPARATIVE FIGURES

Certain comparative figures in the condensed consolidated interim statements of loss and comprehensive loss have been reclassified to conform to the current year presentation. The reclassification had no impact on the net loss and comprehensive loss of the Company.

25. SUBSEQUENT EVENTS

Sale of Romer property

On April 6, 2022, the Company executed a definitive agreement to sell its Romer property (the "Property") to Stria Lithium Inc., a related party which shares common management, for the following consideration: (i) cash in the amount of \$125,000; (ii) 750,000 common shares of Stria issued at a deemed price of \$0.50 per share on a post-consolidated basis; and (iii) a net smelter royalty ("NSR") of 1.0%. Stria will have the option to purchase 50% of the NSR such that the NSR is reduced from 1.0% to 0.5% (the "Partial NSR Buyout Option").

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The Partial NSR Buyout Option may be exercised at any time by Stria for consideration of \$500,000 payable in cash or stock or a combination thereof at Stria's discretion.

On August 11, 2022, the Company announced the closing of the transaction, following receipt of final approval from the TSX Venture Exchange.