

BRAILLE ENERGY SYSTEMS INC.

Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended June 30, 2023

(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, 2023	September 30, 2022
	\$	\$
ASSETS		
Current assets		
Cash	431,072	2,475,869
Trade and other receivables (Note 4)	392,627	127,858
Marketable securities (Note 5)	165,000	161,250
Amounts due from related parties (Note 18)	18,303	2,278
Inventory (Note 6)	1,551,592	1,295,506
Prepaid expenses	255,635	348,429
	2,814,229	4,411,190
Property and equipment (Note 7)	174,734	131,399
Right of use assets (Note 8)	470,448	586,003
Total assets	3,459,411	5,128,592
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,039,308	1,172,553
Customer deposits (Note 11)	1,817	48,423
Lease obligation (Note 20)	160,634	162,660
Warranty provision (Note 21)	54,235	45,520
Current tax payable	20,425	21,146
Amounts due to related parties (Note 18)	44,370	36,668
	1,320,789	1,486,970
Long-term debt (Note 10)	40,000	40,000
Deferred government grant (Note 10)	20,000	20,000
Lease obligation (Note 20)	379,746	479,574
Total liabilities	1,760,535	2,026,544
EQUITY		
Share capital (Note 12)	12,268,685	11,562,946
Warrants (Note 13)	183,476	16,558
Contributed surplus (Note 14)	2,051,380	1,915,836
Accumulated other comprehensive loss	35,707	74,384
Deficit	(12,731,167)	(10,459,051)
Equity attributable to owners of the parent	1,808,081	3,110,673
Non-controlling interest	(109,205)	(8,625)
Total equity	1,698,876	3,102,048
Total liabilities and equity	3,459,411	5,128,592

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,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue	1,141,233	1,147,569	3,123,361	3,107,161
Cost of goods sold	(908,222)	(653,624)	(2,325,718)	(1,896,374)
	233,011	493,945	797,643	1,210,787
Operating expenses				
Consulting fees	186,319	153,399	501,616	556,395
Salaries and benefits	261,801	190,051	769,506	493,043
Stock-based compensation (Note 14)	36,211	70,256	135,544	1,353,484
Bank charges and interest	18,311	27,323	58,423	70,922
Professional fees	31,270	26,517	272,343	276,151
Insurance	70,433	52,751	121,864	164,345
Travel and promotion	63,092	48,358	190,836	133,922
Research	136,197	29,942	338,825	29,942
Office	192,478	122,028	630,615	255,726
Depreciation of property and equipment (Note 7)	10,702	5,434	28,423	15,450
Depreciation of right of use assets (Note 8)	32,316	15,368	97,540	45,766
Interest on lease obligation	13,832	7,825	43,805	24,119
Government assistance	-	(880)	-	(2,640)
	(1,052,962)	(748,372)	(3,189,340)	(3,416,625)
Other income (expense)				
Interest income	3,104	513	19,572	513
Other	-	26,333	-	26,333
Change in fair value of financial assets at FVTPL	-	-	3,750	-
Net loss	(816,847)	(227,581)	(2,368,375)	(2,178,992)
Other comprehensive (loss) income				
Exchange difference on translation	(32,379)	37,623	(42,998)	15,180
Other comprehensive (loss) income	(32,379)	37,623	(42,998)	15,180
Total comprehensive loss	(849,226)	(189,958)	(2,411,373)	(2,163,812)
Net loss attributable to:				
Owners of the parent	(784,338)	(247,511)	(2,272,116)	(2,229,446)
Non-controlling interest	(32,509)	19,930	(96,259)	50,454
	(816,847)	(227,581)	(2,368,375)	(2,178,992)
Total comprehensive loss attributable to:				
Owners of the parent	(813,463)	(213,670)	(2,310,793)	(2,215,792)
Non-controlling interest	(35,763)	23,712	(100,580)	51,980
	(849,226)	(189,958)	(2,411,373)	(2,163,812)
Basic and diluted net loss per common share	(0.01)	(0.003)	(0.03)	(0.03)
Basic and diluted weighted average number of common shares outstanding	90,495,336	80,939,748	84,124,944	80,939,748

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, 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	-	-	-	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
Stock-based compensation	-	-	-	45,212	-	-	45,212	-	45,212
Net loss	-	-	-	-	(559,687)	-	(559,687)	(30,514)	(590,201)
Exchange differences on translation of foreign operations	-	-	-	-	-	55,206	55,206	6,168	61,374
Balance, September 30, 2022	80,939,748	11,562,946	16,558	1,915,836	(10,459,051)	74,384	3,110,673	(8,625)	3,102,048
Units issued for cash (Note 12)	10,735,290	751,470	161,030	-	-	-	912,500	-	912,500
Stock-based compensation	-	-	-	135,544	-	-	135,544	-	135,544
Share issuance costs	-	(45,731)	5,888	-	-	-	(39,843)	-	(39,843)
Net loss	-	-	-	-	(2,272,116)	-	(2,272,116)	(96,259)	(2,368,375)
Exchange differences on translation of foreign operations	-	-	-	-	-	(38,677)	(38,677)	(4,321)	(42,998)
Balance, June 30, 2023	91,675,038	12,268,685	183,476	2,051,380	(12,731,167)	35,707	1,808,081	(109,205)	1,698,876

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,	
	2023	2022
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,368,375)	(2,178,992)
Adjustments for:		
Stock-based compensation (Note 14)	135,544	1,353,484
Depreciation of property and equipment (Note 7)	28,423	15,450
Depreciation of right of use assets (Note 8)	97,540	91,533
Interest on lease obligation (Note 20)	43,805	49,029
Change in fair value of financial assets at FVTPL	(3,750)	-
Interest accretion on long-term debt	-	2,652
Government assistance	-	(2,640)
Changes in non-cash working capital items (Note 15)	(646,643)	(814,842)
Net cash flows from operating activities	(2,713,456)	(1,484,326)
INVESTING ACTIVITIES		
Additions to property and equipment	(75,742)	(22,513)
Net cash flows from investing activities	(75,742)	(22,513)
FINANCING ACTIVITIES		
Proceeds from issuance of shares/units	912,500	-
Share issuance costs	(39,843)	-
Lease payments (Note 20)	(125,408)	(114,408)
Net cash flows from financing activities	747,249	(114,408)
Decrease in cash	(2,041,949)	(1,621,247)
Cash, beginning of the period	2,475,869	4,207,099
Exchange differences on cash	(2,848)	(2,704)
Cash, end of the period	431,072	2,583,148

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, 2023

(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 was 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. On August 11, 2022, the Company completed the sale of its last remaining mineral property (Note 5).

2. GOING CONCERN ASSUMPTION

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, 2023, the Company had cash of \$431,072 and working capital of \$1,493,440. During the nine month period ended June 30, 2023, the Company had a net loss of \$2,368,375 and had negative cash flows from operations of \$2,713,456. In addition, the Company has a deficit of \$12,731,167.

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.

3. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The condensed consolidated interim financial statements for the three and nine month periods ended March 31, 2023 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

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2023

(Expressed in Canadian dollars)

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 28, 2023.

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

As at	June 30, 2023	September 30, 2022
	\$	\$
Trade receivables	367,645	134,382
Allowance for expected credit loss	(54,588)	(56,513)
Net trade receivables	313,057	77,869
Sales taxes receivable	79,570	49,989
Total trade and other receivables	392,627	127,858

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

Allowance for expected credit loss

	Nine months ended June 30, 2023	Year ended September 30, 2022
	\$	\$
Balance, beginning of the period	(56,513)	(38,147)
Adjustment to expected credit loss	1,925	(18,366)
Balance, end of the period	(54,588)	(56,513)

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2023

(Expressed in Canadian dollars)

5. MARKETABLE SECURITIES

Marketable securities are classified as fair value through profit or loss and are comprised of:

As at	June 30, 2023	September 30, 2022
	\$	\$
Stria Lithium Inc. (1)	165,000	161,250

(1) In August 2022, following receipt of final approval from the TSX Venture Exchange, the Company completed the sale of its Romer property (the "Property") to Stria Lithium Inc. ("Stria"), 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 with a fair value of \$112,500; 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"). 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. As the Romer property has no verified resources, the NSR has been valued at \$Nil. Given that the carrying value of the Romer property was \$Nil, the entire consideration received (\$237,500) was recorded as a gain on sale of mineral exploration property.

During the nine month period ended June 30, 2023, the Company recorded a change in fair value of financial assets through profit or loss of \$3,750, in connection with these marketable securities (2022 - \$Nil).

6. INVENTORY

Inventory consists of the following:

As at	June 30, 2023	September 30, 2022
	\$	\$
Parts	1,214,329	1,013,907
Finished goods	337,263	281,599
Total inventory	1,551,592	1,295,506

During the nine month period ended June 30, 2023, a total of \$2,325,718 of inventory was included in cost of goods sold as an expense (2022 - \$1,896,374). Other expenses included in cost of goods sold include, but are not limited to, shipping and packaging costs.

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2023

(Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

	Solar Panels				Total
	Modules	Electronics	Moulds	Equipment	
	\$	\$	\$	\$	\$
Cost					
Balance, September 30, 2022	33,543	16,788	67,110	110,254	227,695
Additions	-	-	-	75,742	75,742
Net exchange differences	(1,144)	(572)	(2,348)	(6,128)	(10,192)
Cost, June 30, 2023	32,399	16,216	64,762	179,868	293,245
Accumulated depreciation					
Balance, September 30, 2022	9,423	5,664	26,922	54,287	96,296
Depreciation	2,483	1,242	5,095	19,603	28,423
Net exchange differences	(393)	(197)	(1,187)	(4,431)	(6,208)
Accumulated depreciation, June 30, 2023	11,513	6,709	30,830	69,459	118,511
Net Book Value, June 30, 2023	20,886	9,507	33,932	110,409	174,734
Solar Panels					
	Modules	Electronics	Moulds	Equipment	Total
	\$	\$	\$	\$	\$
Cost					
Balance, September 30, 2021	31,177	15,604	62,253	75,320	184,354
Additions	-	-	-	23,947	23,947
Net exchange differences	2,366	1,184	4,857	10,987	19,394
Cost, September 30, 2022	33,543	16,788	67,110	110,254	227,695
Accumulated depreciation					
Balance, September 30, 2021	6,582	4,242	18,273	33,686	62,783
Depreciation	2,136	1,069	6,420	12,113	21,738
Net exchange differences	705	353	2,229	8,488	11,775
Accumulated depreciation, September 30, 2022	9,423	5,664	26,922	54,287	96,296
Net Book Value, September 30, 2022	24,120	11,124	40,188	55,967	131,399

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2023

(Expressed in Canadian dollars)

8. RIGHT OF USE ASSETS

	Office (USA)	Office Equipment	Total
	\$	\$	\$
Cost			
Balance, September 30, 2022	836,579	28,813	865,392
Net exchange differences	(28,502)	(981)	(29,483)
Cost, June 30, 2023	808,077	27,832	835,909
Accumulated depreciation			
Balance, September 30, 2022	260,534	18,855	279,389
Depreciation	92,895	4,645	97,540
Net exchange differences	(10,733)	(735)	(11,468)
Accumulated depreciation, June 30, 2023	342,696	22,765	365,461
Net Book Value, June 30, 2023	465,381	5,067	470,448

	Office (USA)	Office Equipment	Total
	\$	\$	\$
Cost			
Balance, September 30, 2021	777,621	26,782	804,403
Net exchange differences	58,958	2,031	60,989
Cost, September 30, 2022	836,579	28,813	865,392
Accumulated depreciation			
Balance, September 30, 2021	125,363	11,686	137,049
Depreciation	117,057	5,853	122,910
Net exchange differences	18,114	1,316	19,430
Accumulated depreciation, September 30, 2022	260,534	18,855	279,389
Net Book Value, September 30, 2022	576,045	9,958	586,003

9. 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, 2023, \$Nil was drawn on the line of credit (\$Nil as at September 30, 2022). The line of credit is secured with a general security agreement over the Company's property.

10. LONG TERM DEBT AND DEFERRED GOVERNMENT GRANTS

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 received loans totaling \$60,000, with \$40,000 received in fiscal 2020 and another \$20,000 received in fiscal 2021. The loans are interest free until December 31, 2023, at which point any remaining balance will be

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2023

(Expressed in Canadian dollars)

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.

As at June 30, 2023, \$40,000 is included in long-term debt (\$40,000 as at September 30, 2022) and \$20,000 is included in deferred government grants (\$20,000 as at September 30, 2022).

11. CUSTOMER DEPOSITS

The Company requires certain customers to prepay upon 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 consolidated statement of financial position.

	June 30, 2023	September 30, 2022
	\$	\$
Customer deposits	1,817	48,423

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, 2021 and September 30, 2022	80,939,748	11,562,946
Shares issued for cash (1)	10,735,290	751,470
Share issuance costs	-	(45,731)
Balance, June 30, 2023	91,675,038	12,268,685

- (1) On April 11, 2023, the Company completed a private placement for gross proceeds of \$912,500. The private placement was comprised of 10,735,290 units at a price of \$0.085 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 \$0.12 until April 11, 2025. In connection with the financing, the Company paid cash finders' fees of \$19,250 and issued, as additional consideration, 226,470 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.12 until April 11, 2025. The proceeds from the financing (\$912,500) were allocated between share capital (\$751,470) and warrants (\$161,030), using the residual method. The warrants issued as commissions have been recorded at a value of \$5,888 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.07, risk-free interest rate of 3.78%, expected life of warrants of 2 years, annualized volatility of 94% 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 \$20,593 and were presented as a

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

reduction of share capital. A Director and an Officer of the Company participated in the private placement for an aggregate amount of \$100,000.

13. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price \$
Balance, September 30, 2021 and September 30, 2022	3,197,250	0.50
Issued	5,594,115	0.12
Expired	(2,343,750)	0.50
Balance, June 30, 2023	6,447,615	0.17

As at June 30, 2023, the following warrants were issued and outstanding:

Number of warrants	Issue date value \$	Exercise price \$	Expiry date
806,250	-	0.50	July 12, 2023
47,250	16,558	0.50	July 12, 2023
5,367,645	161,030	0.12	April 11, 2025
226,470	5,888	0.12	April 11, 2025
6,447,615	183,476		

As at September 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		

Braille Energy Systems Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2023

(Expressed in Canadian dollars)

14. STOCK OPTIONS

The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price \$
Balance, September 30, 2021	6,595,000	0.13
Granted (1)	6,300,000	0.18
Forfeited	(243,750)	0.16
Balance, September 30, 2022	12,651,250	0.16
Forfeited	(2,096,250)	0.12
Balance, June 30, 2023	10,555,000	0.16

(1) 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, which all vested immediately and expire on February 17, 2027.

As at June 30, 2023, 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	2,295,000	1.98	\$0.05	1,845,000	\$0.05
\$0.18	5,875,000	3.64	0.18	5,875,000	\$0.18
\$0.23625	2,385,000	2.67	\$0.23625	1,192,500	\$0.23625
	10,555,000	3.07	\$0.16	8,912,500	\$0.16

As at September 30, 2022, 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	3,495,000	2.69	\$0.05	1,835,000	\$0.05
\$0.18	6,300,000	4.39	0.18	6,300,000	\$0.18
\$0.23625	2,856,250	3.42	\$0.23625	999,688	\$0.23625
	12,651,250	3.71	\$0.16	9,134,688	\$0.16

The following table reflects the weighted-average fair value of stock options granted between October 1, 2021 and June 30, 2023 and the related Black-Scholes option pricing model inputs that were used in the calculations:

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	Nine months ended June 30, 2023	Year ended September 30, 2022
Stock options granted	-	6,300,000
Weighted average fair value	-	0.18
Weighted-average exercise price	-	0.18
Weighted-average market price at date of grant	-	0.18
Expected life of stock options (years)	-	5
Expected stock price volatility	-	214%
Risk-free interest rate	-	1.75%
Expected dividend yield	-	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 \$135,544 (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, 2023 (2022 - \$1,353,484) and credited to contributed surplus.

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended June 30,	
	2023	2022
	\$	\$
Changes in non-cash working capital are as follows:		
Trade and other receivables	(272,272)	(102,735)
Amounts due from related parties	(16,103)	(1,739)
Inventory	(306,346)	(441,330)
Prepaid expenses	84,099	(214,613)
Accounts payable and accrued liabilities	(108,326)	17,917
Customer deposits	(45,873)	66,256
Warranty provision	10,476	1,942
Amounts due to related parties	7,702	(140,540)
	(646,643)	(814,842)

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade receivables, amounts due from related parties, marketable securities, 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 long-term debt where the fair value approximates its carrying value due to

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being subject to market rate interest. The fair value of the Company's marketable securities is based on quoted prices in an active market (Level 1).

The classification of financial instruments is as follows:

As at	June 30, 2023	September 30, 2022
	\$	\$
Financial assets		
Amortized cost		
Cash	431,072	2,475,869
Trade receivables	313,057	77,869
Amounts due from related parties	18,303	2,278
Fair value through profit or loss		
Marketable securities	165,000	161,250
Total financial assets	927,432	2,717,266
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	(1,039,308)	(1,172,553)
Lease obligation	(540,380)	(642,234)
Amounts due to related parties	(44,370)	(36,668)
Long-term debt	(40,000)	(40,000)
Total financial liabilities	(1,664,058)	(1,891,455)

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. 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, 2023, the Company had cash balances of \$431,072 and interest income derived from these investments during the nine month period ended June 30, 2023 was \$19,572 (2022

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- \$513). The Company has limited exposure to financial risk arising from fluctuations in variable interest rates earned on cash given 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.

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 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. The Company's financial assets exposed to credit risk are cash and trade receivables and maximum exposure is equal to the carrying values of these assets, totalling \$744,129 at June 30, 2023. Credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. 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 for their purchase or to 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.

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, 2023, the Company had working capital of \$1,493,440, including cash of \$431,072 and current liabilities of \$1,320,789 due within the next 12 months. During the nine month period ended June 30, 2023, the Company had negative cash flows from operations of \$2,713,456. There has been no change to management's assessment of liquidity risk compared with the prior period.

The Company has financial liabilities of \$1,664,058 of which \$1,244,312 are due within twelve months and \$419,746 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, 2023.

18. RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these condensed consolidated interim 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, 2023	September 30, 2022
	\$	\$
Grafoid Inc.	10,121	2,278
Focus Graphite Inc.	4,091	-
Stria Lithium Inc.	4,091	-
	18,303	2,278

Amounts due to related parties

As at	June 30, 2023	September 30, 2022
	\$	\$
2608861 Ontario Inc.	36,668	36,668
Grafoid Inc.	7,702	-
	44,370	36,668

9176055 Canada Inc.

During the three and nine month periods ended June 30, 2023, the Company was charged \$19,062 and \$57,186 (2022 - \$19,062 and \$50,832) by 9176055 Canada Inc. ("9176055"), a company owned by an officer of the Company, for consulting fees. As at June 30, 2023, included in amounts due to related parties is an amount of \$Nil (\$Nil as at September 30, 2022) due to 9176055.

2608861 Ontario Inc.

As at June 30, 2023, included in amounts due to related parties is an amount of \$36,668 (\$36,668 as at September 30, 2022), due to 2608861 Ontario Inc., a company partially-owned by a director of the Company, for equipment rental fees charged in prior years.

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Thombeth Holdings Inc.

During the three and nine month periods ended June 30, 2023, the Company was charged \$60,706 and \$182,753 (2022 - \$56,910 and \$300,100) by Thombeth Holdings Inc. ("Thombeth"), a company owned by an officer/director of the Company, for consulting fees. As at June 30, 2023, included in accounts payable and accrued liabilities is an amount of \$6,620 (\$137,000 as at September 30, 2022).

Key management compensation

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

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Consulting fees	79,768	75,972	239,939	350,932
Stock-based compensation	28,329	49,268	96,961	1,029,983
	108,097	125,240	336,900	1,380,915

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)	160,634	481,751	-	642,385
Office Equipment	6,329	-	-	6,329
Total	166,963	481,751	-	648,714

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20. LEASE OBLIGATION

	\$
Balance, September 30, 2021	692,522
Interest expense	63,628
Lease payments	(159,369)
Net exchange differences	45,453
Balance, September 30, 2022	642,234
Interest expense	43,805
Lease payments	(125,408)
Net exchange differences	(20,251)
Balance, June 30, 2023	540,380
Current	160,634
Long-term	379,746
	540,380

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, 2023, included within current liabilities on the Company's condensed consolidated interim statements of financial position is a warranty provision of \$54,235 (\$45,420 as at September 30, 2022), which represents an estimate of expected warranty claims in the future.

22. 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.