

**Vision Marine Technologies Inc.**  
(formerly known as Riopel Marine Inc.)

**Condensed Interim Financial Statements**  
**For the Six Month Periods Ended February 29, 2020 and February 28, 2019**  
**(Unaudited)**

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**Vision Marine Technologies Inc.**  
(formerly known as Riopel Marine Inc.)

**Condensed Interim Statements of Financial Position  
(Unaudited)**

	Note	As at February 29, 2020 \$	As at August 31, 2019 \$
<b>Assets</b>			
<b>Current</b>			
Trade and other receivables		90,946	101,784
Inventories		1,102,864	818,811
Cash held in trust		89,675	37,500
Prepaid expenses		77,163	8,595
Grants and investment tax credits receivable		494,382	400,079
<b>Total current assets</b>		<b>1,855,030</b>	<b>1,366,769</b>
<b>Non-current assets</b>			
Advances to related parties		-	40,310
Property and equipment		483,136	507,483
Right-of-use assets	5	705,737	-
<b>Total non-current assets</b>		<b>1,188,873</b>	<b>547,793</b>
<b>Total assets</b>		<b>3,043,903</b>	<b>1,914,562</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness		278,683	283,813
Trade and other payables		526,315	376,303
Contract liabilities		585,060	180,072
Advances from related parties		168,527	597,341
Advances payable, non-interest bearing and repayable on demand		25,000	-
Current portion of long-term debt	7	33,701	17,628
Current portion of lease liabilities	6	114,600	-
Current portion of obligation under finance lease		-	4,377
<b>Total current liabilities</b>		<b>1,731,886</b>	<b>1,459,534</b>
<b>Non-current liabilities</b>			
Advances from related parties	10	793,556	452,723
Long-term debt	7	349,169	125,862
Finance lease		-	3,839
Deferred income taxes		4,906	4,906
Lease liabilities	6	599,410	-
<b>Total non-current liabilities</b>		<b>1,747,041</b>	<b>587,330</b>
<b>Total liabilities</b>		<b>3,478,927</b>	<b>2,046,864</b>
<b>Shareholders' equity (deficit)</b>			
Capital stock	8	213,100	525
Capital stock to be issued		-	37,500
Retained earnings (deficit)		(648,124)	(170,327)
<b>Total shareholders' equity (deficit)</b>		<b>(435,024)</b>	<b>(132,302)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>		<b>3,043,903</b>	<b>1,914,562</b>
<b>Subsequent events</b>	14		

**Vision Marine Technologies Inc.**  
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**Condensed Interim Statements of Changes in Deficiency  
(Unaudited)**

		Capital stock		Capital stock to be issued	Deficit	Total
	Note	Units	\$	\$	\$	\$
<b>Shareholders' deficiency as at August 31, 2018</b>		<b>600</b>	<b>600</b>	<b>-</b>	<b>(403,393)</b>	<b>(402,793)</b>
Net and comprehensive income		-	-	-	54,647	54,647
<b>Shareholders' deficiency as at February 28, 2019</b>		<b>600</b>	<b>600</b>	<b>-</b>	<b>(348,746)</b>	<b>(348,746)</b>
<b>Shareholders' deficiency as at August 31, 2019</b>		<b>525</b>	<b>525</b>	<b>37,500</b>	<b>(170,327)</b>	<b>(132,302)</b>
Share issuance (pre-conversion)	8	75	75	-	-	75
Share conversion	8	13,850,841	-	-	-	-
Share issuance	8	285,976	212,500	(37,500)		175,000
Net and comprehensive loss		-		-	(477,797)	(477,797)
<b>Shareholders' deficiency as at February 29, 2020</b>		<b>14,137,492</b>	<b>213,100</b>	<b>-</b>	<b>(648,124)</b>	<b>(435,024)</b>

**Vision Marine Technologies Inc.**  
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**Condensed Interim Statements of Comprehensive Income (Loss)**  
**(Unaudited)**

	Note	Three months ended February 29, 2020 \$	Three months ended February 28, 2019 \$	Six months ended February 29, 2020 \$	Six months ended February 28, 2019 \$
<b>Revenues</b>	10, 11	383,190	332,645	436,193	1,271,552
<b>Cost of sales</b>	12	162,634	156,190	202,633	681,708
<b>Gross profit</b>		<b>220,556</b>	<b>176,455</b>	<b>233,560</b>	<b>589,844</b>
<b>Expenses</b>					
Office salaries and benefits		92,447	92,447	167,603	177,885
Rent		9,118	78,052	39,262	131,311
Professional fees		138,871	33,644	180,895	62,146
Travel and entertainment		16,044	9,256	37,945	13,738
Advertising and promotion		75,619	66,847	155,599	110,568
Office and general		39,668	18,417	59,602	33,244
Interest and bank charges		2,290	3,326	10,614	7,864
Interest on long-term debt and finance lease		16,049	861	29,744	1,773
Foreign exchange		(3,016)	(47,237)	(35,260)	(19,374)
Depreciation of right-of-use asset		32,437	-	64,076	-
Depreciation		639	445	1,277	622
		420,166	256,058	711,357	519,777
<b>(Loss) earnings before income taxes</b>		<b>(199,609)</b>	<b>(79,603)</b>	<b>(477,797)</b>	<b>70,068</b>
<b>Income taxes</b>					
Current		-	-	-	-
Deferred		-	-	-	15,421
		-	-	-	15,421
<b>Net and comprehensive (loss) income</b>		<b>(199,609)</b>	<b>(79,603)</b>	<b>(477,797)</b>	<b>54,647</b>
<b>Basic and diluted weighted average number of shares outstanding</b>					
Basic		13,982,905	13,850,916	13,897,884	13,850,916
Diluted		13,982,905	13,850,916	13,897,884	13,850,916
<b>Income (loss) per share</b>					
Basic		(0.01)	(0.01)	(0.03)	-
Diluted		(0.01)	(0.01)	(0.03)	-

**Vision Marine Technologies Inc.**  
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**Condensed Interim Statements of Cash Flows  
(Unaudited)**

	Note	Six month ended February 29, 2020 \$	Six month ended February 28, 2019 \$
<b>Operating activities</b>			
Net and comprehensive income (loss)		(477,797)	54,647
Depreciation of property and equipment		19,217	17,150
Depreciation of right-of-use asset		64,076	-
Accretion on long-term debt and on lease liabilities		22,913	(227)
Deferred income taxes		-	15,421
		<b>(371,591)</b>	<b>86,991</b>
Net change in non-cash working capital items			
Trade and other receivables		10,838	(88,451)
Inventories		(284,053)	135,751
Grants and investment tax credits receivable		(94,303)	270,904
Prepaid expenses		(68,568)	(8,065)
Trade and other payables		150,012	(142,297)
Contract liabilities		404,988	(84,883)
		118,914	82,959
<b>Cash provided (used) by operating activities</b>		<b>(252,677)</b>	<b>169,950</b>
<b>Investing activities</b>			
Additions to property and equipment		(5,750)	(132,705)
Advances to related parties		40,310	(1,600)
Term deposit		-	68,368
<b>Cash provided (used) by investing activities</b>		<b>34,560</b>	<b>(65,937)</b>
<b>Financing activities</b>			
Change in bank indebtedness		(5,130)	(87,937)
Increase in long-term debt		250,000	-
Repayment of long-term debt		(10,620)	(49,998)
Repayment of obligation under finance lease		-	(1,039)
Repayment of lease liability		(76,052)	-
Advances from related parties		(87,981)	17,800
Advance payable		25,000	50,000
Capital stock issued		175,075	-
<b>Cash provided (used) by investing activities</b>		<b>270,292</b>	<b>(71,174)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>52,175</b>	<b>32,839</b>
<b>Cash and cash equivalents – beginning of period</b>		<b>37,500</b>	<b>-</b>
<b>Cash and cash equivalents – end of period</b>		<b>89,675</b>	<b>32,839</b>

# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 1. Incorporation and nature of business

Vision Marine Technologies Inc. (the “Company”) was incorporated on August 29, 2012 as Riopel Marine Inc. The Company changed its name to Vision Marine Technologies Inc. on April 7, 2020. The principal business of the Company is to manufacture and sell electric boats.

The head office and registered office of the Company is located at 730 Curé-Boivin boulevard, Boisbriand, Quebec, J7G 2A7.

### 2. Basis of preparation

#### Compliance with IFRS

These condensed interim financial statements are for the six month period ended February 29, 2020 and have been prepared in accordance with IAS 34: *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements for the year ended August 31, 2019.

The condensed interim financial statements were authorized for issued by the Board of Directors on May 28, 2020.

#### Basis of measurement

These financial statements are stated in Canadian dollars, which is also the Company’s functional currency, and were prepared on the historical cost basis.

### 3. New standards adopted as at September 1, 2019

#### IFRS 16: Leases

The Company has adopted IFRS 16 as of September 1, 2019. The adoption of IFRS 16 has a significant impact as the Company recognized new assets and liabilities for its operating leases. In addition, the nature and timing of expenses related to those leases has changed as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on lease liabilities. The Company has elected to apply the modified retrospective method, under which the cumulative effect of initial application is recognized in retained earnings at September 1, 2019, by setting right-of-use assets based on the lease liability at the date of initial application, adjusted by the amount of any prepaid or accrued lease payments, and has applied the following practical expedients:

- Applied IFRS 16 exclusively to contracts that were previously identified as leases applying IAS 17 at the date of initial application;
- Accounted for leases for which the lease term ended within 12 months of the date of initial application as short-term leases;
- Did not recognize right-of-use assets and liabilities for leases of low value assets;
- Relied on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review; and
- Did not separate non-lease components from lease components, and instead accounted for each lease component and any associated non-lease components as a single lease component.

# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 3. New standards adopted as at September 1, 2019 (cont'd)

#### IFRS 16: Leases (cont'd)

The effect of adoption of IFRS 16 as at September 1, 2019 is as follows:

	August 31, 2019	Impact of adoption of IFRS 16	September 1, 2019
<b>Assets</b>			
<b>Noncurrent assets</b>			
Property and equipment	507,483	(10,880)	496,603
Right-of-use assets	-	760,217	760,217
<b>Total noncurrent assets</b>	<b>507,483</b>	<b>749,337</b>	<b>1,256,820</b>
<b>Total assets</b>	<b>507,483</b>	<b>749,337</b>	<b>1,256,820</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of obligation under finance lease	4,377	(4,377)	-
Current portion of lease liabilities	-	106,724	106,724
<b>Total current liabilities</b>	<b>4,377</b>	<b>102,347</b>	<b>106,724</b>
<b>Noncurrent liabilities</b>			
Finance lease	3,839	(3,839)	-
Lease liabilities	-	650,829	650,829
<b>Total noncurrent liabilities</b>	<b>3,839</b>	<b>646,990</b>	<b>650,829</b>
<b>Total liabilities</b>	<b>8,216</b>	<b>749,337</b>	<b>757,553</b>

The following table reconciles the Company's operating lease commitments as at August 31, 2019 as previously disclosed in the audited financial statements of the Company, to the lease liability recognized on initial application of IFRS 16 on September 1, 2019:

	\$
Operating lease commitments as at August 31, 2019	543,300
Finance leases as at August 31, 2019	8,216
Lease payments relating to periods not included in operating lease commitments as at August 31, 2019	367,065
Effect of discounting using the weighted average incremental borrowing rate	(161,028)
<b>Lease liability recognized as at September 1, 2019</b>	<b>757,553</b>



# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 3. New standards adopted as at September 1, 2019 (cont'd)

#### IFRIC 23: Uncertainty over income tax treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Company to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Company to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The interpretation is effective for periods beginning on or after September 1, 2019. The Company has adopted the new interpretation with no impact on the financial statements.

### 4. Significant accounting policies

The Company has applied the same accounting policies and methods of computation in its condensed interim financial statements as in its 2019 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) September 1, 2019, as disclosed in note 3.

#### Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company:

- Identifies the contract with the customer;
- Identifies the performance obligations in the contract;
- Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- Allocates the transaction price to separate performance obligations on the basis of relative standalone selling price of each distinct good or service to be delivered; and
- Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Company enters into contracts with customers, as well as distributor agreements with specific distributors for the sale of boats.

# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 4. Significant accounting policies (cont'd)

#### *Sale of boats*

Revenue from the sale of boats, including incidental shipping fees, is recognized at the point in time when the customer obtains control of the goods, which is generally at the shipping point. In the context of its distributor agreements, control is passed at the shipping point to the distributor as the Company has no further performance obligations at that point. The amount of consideration the Company receives, and the revenue recognized, varies with volume rebate programs offered to distributors. When the Company offers retrospective volume rebates, it estimates the expected volume rebates based on an analysis of historical experience, to the extent that it is highly probable that a significant reversal will not occur. The Company adjusts its estimate of revenue related to volume rebates at the earlier of when the most likely amount of consideration expected to be received changes or when the consideration becomes fixed.

The Company recognizes customer deposits on the sale of boats as contract liabilities.

#### *Sales of parts and boat maintenance*

Revenue from the sale of parts and related maintenance services are recognized at the point in time when the customer obtains control of the parts and when services are completed.

#### *Commission*

Commission income is recognized at the point in time when the underlying transaction is settled.

#### *Other*

Other revenue is recognized when it is received or when the right to receive payment is established.

### **Leases**

#### *Right-of-use assets*

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 4. Significant accounting policies (cont'd)

#### *Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Interest accretion is recorded as interest expense in finance costs. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 4. Significant accounting policies (cont'd)

#### Financial instruments

##### *Classification and measurement of financial instruments*

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost at the effective interest rate, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

##### *Amortized cost*

The Company classifies trade and other receivables, trade and other payables, long-term debt and advances to/from related parties as financial instruments measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows.

##### *Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has been a significant increase in exposure to credit risk, a 12-month expected credit loss allowance is estimated. The amount of expected credit loss recognized is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

##### *Equity instruments*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

The Company's shares are classified as equity instruments.

#### Share based payments

The Company has a share option plan for key employees, consultants, advisors, officers and directors from which options to purchase common stock of the Company are issued. Share-based compensation costs are accounted for on a fair value basis, as measured at the grant date, using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. In situations where options have been issued to non-employees and some or all of the services received by the Company cannot be specifically identified, the options are measured at the fair value of the options issued.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 4. Significant accounting policies (cont'd)

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Any adjustment to cumulative share-based compensation resulting from a revision is recognized in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

### 5. Right-of-use assets

	Premises \$	Computer equipment \$	Rolling stock \$	Total \$
<b>Cost</b>				
Balance at August 31, 2019	-	-	-	-
Impact of adoption of IFRS 16	737,066	11,333	12,271	760,670
Additions	-	-	9,596	9,596
<b>Balance at February 29, 2020</b>	<b>737,066</b>	<b>11,333</b>	<b>21,867</b>	<b>770,266</b>
<b>Accumulated depreciation</b>				
Balance at August 31, 2019	-	-	-	-
Impact of adoption of IFRS 16	-	453	-	453
Depreciation	58,903	227	4,946	64,076
<b>Balance at February 29, 2020</b>	<b>58,903</b>	<b>680</b>	<b>4,946</b>	<b>64,529</b>
<b>Net carrying amount</b>				
<b>As at February 29, 2020</b>	<b>678,163</b>	<b>10,653</b>	<b>16,921</b>	<b>705,737</b>

### 6. Lease liabilities

	\$
Balance at August 31, 2019	-
Impact of adoption of IFRS 16	757,553
Additions	9,596
Repayment	(76,052)
Accretion of interest	22,913
<b>Balance at February 29, 2020</b>	<b>714,010</b>
Current	114,600
Noncurrent	599,508

The minimum annual payments of the Company's leases are approximately as follows:

	\$
Less than one year	114,600
One year to five years	494,112
Greater than five years	105,298
	<b>714,010</b>

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 7. Long-term debt

	As at February 29, 2020 \$	As at August 31, 2019 \$
Loan from Canada Economic Development for Quebec Regions, non-interest bearing, repayable in monthly instalments of \$1,667 starting July 2018 and maturing in June 2023. The loan was discounted using an effective interest rate of 8.85% (a)	52,829	58,672
Term loan, bearing interest at 6.24%, repayable in monthly instalments of \$630, including principal and interest, and maturing in December 2038	80,041	84,818
Term loan, bearing interest at prime plus 3.68%, repayable in monthly principal payments of \$4,165 starting 12 months after the original disbursement date (b)	250,000	-
	382,870	143,490
Current portion of long-term debt	33,701	17,628
	349,169	125,862

- a) As security for the loan, the Company has subordinated certain advances from related parties for \$452,723.
- b) As security for the loan, the Company has subordinated certain advances from related parties for \$793,556. In addition, the loan is guaranteed by a first ranking hypothec of \$250,000 plus 20% on all of the assets of the Company, as well as personal guarantees from the ultimate shareholders of \$125,000.

### 8. Capital stock

Authorized without limit as to number –

Voting Common Shares – Series Founder, voting and participating

Voting Common Shares – Series Investor 1, voting and participating

Voting Common Shares – Series Investor 2, voting and participating

	As at February 29, 2020 \$	As at August 31, 2019 \$
13,853,559 Voting Common Shares – Series Founder	600	-
283,333 Voting Common Shares – Series Investor 1	212,500	-
Nil (2019 – 525) Class A shares	-	525
	213,100	525

# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 8. Capital stock (cont'd)

#### Subscription and issuance of Class A common shares and share exchange

On September 3, 2019, the Board of Directors authorized the issuance of 75 Class A shares for total consideration of \$75. On January 20, 2020, the Board of Directors amended the share capital of the Company. Immediately thereafter, the Board of Directors authorized the exchange of 600 Class A shares, being the entire share capital of the Company, for 13,850,916 Voting Common Shares – Series Founder, at a ratio of 23,084.86:1. Immediately thereafter, the Board of Directors authorized the issuance of 2,643 Voting Common Shares – Series Founder for total consideration of \$0.11.

#### Subscription and issuance of Voting Common Shares – Series Investor 1

On January 20, 2020, the Board of Directors authorized the issuance of 283,333 Voting Common Shares – Series Investor 1 for total consideration of \$212,500.

#### Share option plan

On January 20, 2020, the Company has adopted a share option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to key employees, consultants, advisors, officers and directors of the Company non-transferable options to purchase up to 2,266,666 Non-Voting Common Shares. No awards have been granted under the plan as at the reporting date.

### 9. Remuneration of directors and key management of the Company

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Salaries	55,000	52,000	109,000	104,000

### 10. Related party transactions

The following table summarizes the Company's related party transactions during the year:

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
<b>Revenues</b>				
<b>Sale of boats</b>				
EBR Ltd.	-	22,851	-	100,866
<b>Sales of parts and boat maintenance</b>				
EBR Ltd.	23,746	-	66,077	9,369
<b>Expenses</b>				
<b>Rent expense</b>				
California Electric Boat Company Inc.	-	67,556	-	80,702

# Vision Marine Technologies Inc.

(formerly known as Riopel Marine Inc.)

## Notes to Condensed Interim Financial Statements (Unaudited)

### 10. Related party transactions (cont'd)

At the end of the period, the amounts due to and from related parties are non-interest bearing and are due on demand, except for those subordinated to the Company's lenders, and are as follows:

	As at February 29, 2020 \$	As at August 31, 2019 \$
<b>Advances to a company under common control</b>		
California Electric Boat Company Inc.	-	40,310
<b>Non-current advances from shareholders or indirect shareholders subordinated in favor of the Company's lender</b>		
Alexandre Mongeon (subordinated in favor of the Company's lenders)	141,972	81,061
Patrick Bobby (subordinated in favor of the Company's lenders)	139,472	82,534
Robert Ghetti (subordinated in favor of the Company's lenders)	64,749	45,215
Immobilier R. Ghetti Inc. (subordinated in favor of the Company's lenders)	16,487	1,487
Société de Placement Robert Ghetti Inc. (subordinated in favor of the Company's lenders)	279,376	242,426
Gestion Toyma (subordinated in favor of the Company's lenders)	151,500	-
	<b>793,556</b>	<b>452,723</b>
<b>Current advances from shareholders or indirect shareholders</b>		
9335-1427 Quebec Inc.	129,932	104,931
Alexandre Mongeon	14,201	60,911
Patrick Bobby	-	56,939
Robert Ghetti	-	19,535
Immobilier R. Ghetti Inc.	-	15,000
Société de Placement Robert Ghetti Inc.	-	36,950
Gestion Toyma	24,394	151,500
Entreprises Claude Beaulac Inc. (former shareholder)	-	151,575
	<b>168,527</b>	<b>597,341</b>
<b>Due to shareholders and included in trade and other payables</b>		
Alexandre Mongeon	39,668	-
Patrick Bobby	5,091	-
	<b>44,759</b>	<b>-</b>



# Vision Marine Technologies Inc.

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## Notes to Condensed Interim Financial Statements (Unaudited)

### 11. Revenues

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Sale of boats	349,479	262,929	353,148	1,135,407
Sales of parts and boat maintenance	33,711	69,716	83,045	105,929
Other	-	-	-	30,216
	<b>383,190</b>	332,645	<b>436,193</b>	1,271,552

### 12. Cost of sales

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
	\$	\$	\$	\$
Inventories – beginning of period	1,138,064	815,675	818,811	931,707
Purchases	87,043	139,626	399,083	567,050
Salaries and benefits	62,772	61,447	129,824	121,426
Transport costs	16,433	19,891	31,496	32,634
Sub-contracting	12,216	6,166	28,343	6,167
Depreciation	8,970	8,264	17,940	16,528
Grants and investment tax credits	(60,000)	(98,924)	(120,000)	(197,849)
	<b>1,265,498</b>	952,145	<b>1,305,497</b>	1,477,663
Inventories – end of period	(1,102,864)	(795,955)	(1,102,864)	(795,955)
	<b>162,634</b>	156,190	<b>202,633</b>	681,708

### 13. Fair value measurement and hierarchy

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e., not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

The carrying amount of trade and other receivables, advances to related parties, trade and other payables and advances from related parties are assumed to approximate their fair value due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

# **Vision Marine Technologies Inc.**

(formerly known as Riopel Marine Inc.)

## **Notes to Condensed Interim Financial Statements (Unaudited)**

### **14. Subsequent events**

#### **Subscription and issuance of Voting Common Shares – Series Investor 1**

On March 4, 2020, the Board of Directors authorized the issuance of 133,333 Voting Common Shares – Series Investor 1 for total consideration of \$100,000.

#### **Subscription and issuance of Voting Common Shares – Series Investor 2**

On March 5, 2020, the Board of Directors authorized the issuance of 320,000 Voting Common Shares – Series Investor 2, for total consideration of \$320,000.

#### **COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout Canada and around the world.

As of the date of this report, the Company did experience a disruption while they closed their offices. All employees are now working remotely. The Company has obtained new contracts during the global pandemic and continues to collect its receivables from the majority of its customers with few changes to its collection terms.

Although management cannot be certain of the impact of the pandemic on the financial statements and the duration of such a disruption at the date of the report, management does believe the implication will be temporary and that the Company will be able to continue its operations. As a result, management is unable to estimate the potential impact on the business as of the date of this report.