

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

**Financial Statements**  
**August 31, 2020 and 2019**

**Financial Statements  
August 31, 2020 and 2019**

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## Report of Independent Registered Public Accounting Firm

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Shareholders and Board of Directors  
Vision Marine Technologies Inc.  
Boisbriand, Québec

### Opinion on the Financial Statements

We have audited the accompanying statements of financial position of Vision Marine Technologies Inc. (the “Company”) as of August 31, 2020 and 2019, the related statements of comprehensive (loss) income, changes in equity (deficiency), and cash flows for the years ended August 31, 2020, 2019 and 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended August 31, 2020, 2019 and 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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**Report of Independent Registered Public Accounting Firm**

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Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

BDO Canada S.R.L. / S.E.N.C.R.L. / LLP

We have served as the Company's auditor since 2019.

Montréal, Québec  
December 30, 2020

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

**Statements of Financial Position**  
**As at August 31, 2020 and 2019**

	2020	2019
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	1,296,756	-
Cash held in trust	65	37,500
Trade and other receivables (note 6)	79,027	101,784
Inventories (note 7)	491,527	818,811
Prepaid expenses	170,979	8,595
Grants and investment tax credits receivable	402,239	400,079
<b>Total current assets</b>	<b>2,440,593</b>	<b>1,366,769</b>
<b>Right-of-use assets</b> (note 9)	<b>652,967</b>	<b>-</b>
<b>Property and equipment</b> (note 8)	<b>538,065</b>	<b>507,483</b>
<b>Advances to related parties</b> (note 14)	<b>-</b>	<b>40,310</b>
<b>Total non-current assets</b>	<b>1,191,032</b>	<b>547,793</b>
<b>Total assets</b>	<b>3,631,625</b>	<b>1,914,562</b>
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (note 10)	170,000	283,813
Trade and other payables (note 11)	639,837	376,303
Contract liabilities (note 12)	20,443	180,072
Advances from related parties (note 14)	898,489	597,341
Current portion of lease liabilities (note 13)	120,815	-
Current portion of long-term debt (note 15)	57,249	17,628
Current portion of obligation under finance lease	-	4,377
<b>Total current liabilities</b>	<b>1,906,833</b>	<b>1,459,534</b>
<b>Non-current</b>		
<b>Advances from related parties</b> (note 14)	<b>-</b>	<b>452,723</b>
<b>Lease liabilities</b> (note 13)	<b>552,173</b>	<b>-</b>
<b>Long-term debt</b> (note 15)	<b>354,488</b>	<b>125,862</b>
<b>Finance lease</b>	<b>-</b>	<b>3,839</b>
<b>Deferred income taxes</b> (note 18)	<b>26,216</b>	<b>4,906</b>
<b>Total non-current liabilities</b>	<b>932,877</b>	<b>587,330</b>
<b>Total liabilities</b>	<b>2,839,710</b>	<b>2,046,864</b>
<b>Shareholders' equity (deficiency)</b>		
<b>Capital stock</b> (note 16)	<b>2,497,813</b>	<b>525</b>
<b>Contributed surplus</b> (note 17)	<b>739,961</b>	<b>-</b>
<b>Capital stock to be issued</b> (note 16)	<b>-</b>	<b>37,500</b>
<b>Deficit</b>	<b>(2,445,859)</b>	<b>(170,327)</b>
	<b>791,915</b>	<b>(132,302)</b>
	<b>3,631,625</b>	<b>1,914,562</b>

See accompanying notes

**Vision Marine Technologies Inc.  
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**Statements of Changes in Equity (Deficiency)  
For the Years Ended August 31, 2020, 2019 and 2018**

	Capital stock units	Capital stock issued \$	Capital stock to be issued \$	Contributed surplus \$	Deficit \$	Total \$
<b>Shareholders' deficiency as at August 31, 2017</b>	<b>3,743,491</b>	<b>600</b>	-	-	<b>(217,545)</b>	<b>(216,945)</b>
Net and comprehensive loss	-	-	-	-	(185,848)	(185,848)
<b>Shareholders' deficiency as at August 31, 2018</b>	<b>3,743,491</b>	<b>600</b>	-	-	<b>(403,393)</b>	<b>(402,793)</b>
Net and comprehensive income	-	-	-	-	233,066	233,066
Repurchase of capital stock (note 16)	(467,936)	(75)	-	-	-	(75)
Subscriptions to capital stock received in advance of issuance (note 16)	-	-	37,500	-	-	37,500
<b>Shareholders' deficiency as at August 31, 2019</b>	<b>3,275,555</b>	<b>525</b>	<b>37,500</b>	-	<b>(170,327)</b>	<b>(132,302)</b>
Net and comprehensive loss	-	-	-	-	(2,275,532)	(2,275,532)
Share issuance, net of transactions costs of \$320,230 (note 16)	1,309,446	2,497,288	(37,500)	-	-	2,459,788
Share-based payments (notes 16 and 17)	-	-	-	739,961	-	739,961
<b>Shareholders' equity (deficiency) as at August 31, 2020</b>	<b>4,585,001</b>	<b>2,497,813</b>	-	<b>739,961</b>	<b>(2,445,859)</b>	<b>791,915</b>

See accompanying notes

**Vision Marine Technologies Inc.**  
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**Statements of Comprehensive (Loss) Income**  
**For the Years Ended August 31, 2020, 2019 and 2018**

	2020	2019	2018
	\$	\$	\$
<b>Revenues</b> (notes 14 and 21)	<b>2,417,173</b>	2,869,377	1,271,566
<b>Cost of sales</b> (note 7)	<b>1,812,783</b>	1,584,013	769,839
<b>Gross profit</b>	<b>604,390</b>	1,285,364	501,727
<b>Expenses</b>			
Office salaries and benefits	315,138	372,961	105,101
Rent	39,500	204,596	108,137
Share-based compensation (notes 16 and 17)	1,312,071	-	-
Professional fees	671,788	111,653	104,294
Travel and entertainment	41,382	30,199	23,295
Advertising and promotion	238,389	157,276	111,198
Office and general	114,508	69,737	55,325
Impairment of trade and other receivables (reversal)	(458)	3,729	-
Interest and bank charges	37,092	18,788	17,013
Interest on long-term debt and finance lease	70,013	15,669	22,938
Foreign exchange loss (gain)	1,295	1,790	(11,959)
Other income	(10,000)	-	-
Depreciation	27,895	1,513	500
	<b>2,858,613</b>	987,911	535,842
<b>(Loss) earnings before income taxes</b>	<b>(2,254,223)</b>	297,453	(34,115)
Income taxes			
Current	-	38,586	65,023
Deferred	21,309	25,801	86,710
	<b>21,309</b>	64,387	151,733
<b>Net and comprehensive (loss) income</b>	<b>(2,275,532)</b>	233,066	(185,848)
See accompanying notes			
	<b>2020</b>	2019	2018
	\$	\$	\$
Weighted average shares outstanding	<b>4,179,017</b>	3,730,611	3,743,491
Basic and diluted income (loss) per share	<b>(0.56)</b>	0.06	(0.05)

**Vision Marine Technologies Inc.**  
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**Statements of Cash Flows**  
**For the Years Ended August 31, 2020, 2019 and 2018**

	2020	2019	2018
	\$	\$	\$
<b>Operating activities</b>			
Net and comprehensive (loss) income	(2,275,532)	233,066	(185,848)
Depreciation	170,182	35,109	30,371
Accretion on long-term debt	5,905	5,143	9,309
Share-based compensation – capital stock	572,110	-	-
Share-based compensation – options	739,961	-	-
Shares issued for services	26,533	-	-
Government grant	(3,666)	-	-
Deferred income taxes	21,310	25,801	86,710
Non-cash lease	19,137	-	-
	<b>(724,060)</b>	299,119	(59,458)
Net change in non-cash working capital items			
Trade and other receivables	22,757	(42,536)	(23,414)
Inventories	327,284	112,895	(507,093)
Grants and investment tax credits receivable	(2,160)	118,881	4,047
Prepaid expenses	(162,384)	(8,595)	5,142
Trade and other payables	263,534	(96,134)	105,253
Contract liabilities	(159,629)	(495,998)	600,560
	<b>289,402</b>	(411,487)	184,495
<b>Cash (used in) provided by operating activities</b>	<b>(434,658)</b>	<b>(112,368)</b>	<b>125,037</b>
<b>Investing activities</b>			
Additions to property and equipment	(77,966)	(175,952)	(1,755)
Repayment from (advances to) related parties	40,310	(1,600)	(38,252)
Term deposit	-	68,368	(68,368)
<b>Cash (used in) investing activities</b>	<b>(37,656)</b>	<b>(109,184)</b>	<b>(108,375)</b>
<b>Financing activities</b>			
Change in bank indebtedness	(113,813)	195,876	(5,795)
Increase in long-term debt	280,000	84,818	-
Repayment of long-term debt	(13,992)	(60,000)	(83,326)
Repayment of obligations under finance leases	-	(3,117)	-
Repurchase of capital stock	-	(75)	-
Advances to (repayments from) related parties	(151,575)	4,050	72,459
Subscriptions to capital stock received in advance of issuance	(37,500)	37,500	-
Issuance of shares	1,982,075	-	-
Repayment of lease liabilities	(130,130)	-	-
Transaction costs on issuance of shares	(83,430)	-	-
<b>Cash provided by (used in) financing activities</b>	<b>1,731,635</b>	<b>259,052</b>	<b>(16,662)</b>
Balance to carry forward	<b>1,259,321</b>	<b>37,500</b>	<b>-</b>



**Vision Marine Technologies Inc.  
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**Statements of Cash Flows  
For the Years Ended August 31, 2020, 2019 and 2018**

	2020	2019	2018
	\$	\$	\$
Balance carried forward	1,259,321	37,500	-
Increase in cash and cash equivalents	1,259,321	37,500	-
Cash and cash equivalents – beginning of year	37,500	-	-
<b>Cash and cash equivalents – end of year</b>	<b>1,296,821</b>	<b>37,500</b>	<b>-</b>
<b>Cash and cash equivalents</b>			
Cash	1,296,756	-	-
Cash held in trust	65	37,500	-
	<b>1,296,821</b>	<b>37,500</b>	<b>-</b>

See accompanying notes

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

## **Notes to Financial Statements August 31, 2020 and 2019**

### **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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect on August 31, 2020.

The financial statements were authorized for issued by the Board of Directors on December 30, 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.

#### **Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in note 4.

### **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:

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**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**3. New standards adopted as at September 1, 2019 (continued)**

**IFRS 16: Leases (continued)**

- 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.

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>

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

## Notes to Financial Statements August 31, 2020 and 2019

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

#### IFRS 16: Leases (continued)

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 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>

#### 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.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 4. Significant accounting policies

#### 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 stand-alone 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.

#### *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.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 4. Significant accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, cash held in trust, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within bank indebtedness in current liabilities on the statement of financial position.

#### Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit loss, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit loss.

#### Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value on a first-in first-out basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, and appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Cost of purchased inventory are determined after deducted rebates and discounts received or receivable.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

#### Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recorded to recognize the cost of assets over their useful lives. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

	Methods	Rates and periods
Computer equipment	Declining balance method	55%
Machinery and equipment	Declining balance method	20%
Rolling stock	Declining balance method	30%
Leasehold improvements		over the term of the
Straight-line method		lease
Moulds	Straight-line method	25 years

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

## **Notes to Financial Statements August 31, 2020 and 2019**

### **4. Significant accounting policies (continued)**

#### **Property and equipment (continued)**

Any item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales and proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred.

Research costs are expensed in the period in which they are incurred. Development costs are capitalized when it probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the asset; the Company has sufficient resources and intent to complete its development; and its costs can be measured reliably. The Company has not capitalized any development costs.

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortized cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **Taxes**

Tax expense comprises current and deferred tax. Tax is recognized in the statement of operations except to the extent it relates to items recognized in other comprehensive income or directly in equity.

##### *Current tax*

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred tax*

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the balance sheet and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 4. Significant accounting policies (continued)

#### *Deferred tax (continued)*

Transactions entered into by the Company in a currency other than their functional currency are recorded at the rates prevailing when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

#### **Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognized as a finance cost.

#### **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 recognized, 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.

##### *Lease liabilities*

At the commencement date of the lease, the Company recognizes 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 recognized 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.



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

## Notes to Financial Statements August 31, 2020 and 2019

### 4. Significant accounting policies (continued)

#### *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 recognized as expense on a straight-line basis over the lease term. For the year-ended August 31, 2020, the expense for leases of low-value assets is insignificant.

*For the year-ended August 31, 2019, the Company applied the following accounting policy to recognize leases:*

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a “finance lease”), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to profit and loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an “operating lease”), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

#### *Impact of the initial application of COVID-19 Related Rent Concessions Amendment to IFRS 16*

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The Company has applied the practical expedient retrospectively to all rent concessions that meet the conditions, and has not restated prior period figures.

The Company has benefited from a three month waiver of lease payments on premises. The waiver of lease payments of \$26,003 has been accounted for as a negative variable lease payment in profit or loss. The Company has derecognized the part of the lease liability that has been extinguished by the forgiveness of lease payments.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 4. Significant accounting policies (continued)

#### 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.

#### 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, term deposit, 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.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 4. Significant accounting policies (continued)

#### *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.

#### **Grants and investment tax credits receivable**

Grants and investment tax credits received on capital expenditure are deducted in arriving at the carrying amount of the asset purchased. Grants and investment tax credits for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of comprehensive income or netted against the asset purchased.

Cost of sales are presented net of \$445,776 (2019 – \$394,715, 2018 – \$691,462) of grants and investment tax credits. Office salaries and benefits are presented net of \$45,928 (2019 – \$Nil; 2018 – \$Nil) of grants.

#### **Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common stock outstanding during the year.

Diluted income per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common stock outstanding, adjusted for the effects of all dilutive potential common stock. The weighted average number of common stock outstanding is increased by the number of additional common stock that would have been issued by the Company assuming exercise of all options with exercise prices below the average market price for the year.

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

## **Notes to Financial Statements** **August 31, 2020 and 2019**

### **4. Significant accounting policies (continued)**

#### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### **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 can be specifically identified, the options are measured at the fair value of the services received. If the services cannot be specifically identified, the options are measured at the fair value of the options issued.

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. Significant accounting estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

#### **Provision for impairment of inventories**

The provision for impairment of inventories assessment requires a degree of estimation and judgment. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 5. Significant accounting estimates and assumptions (continued)

#### Income tax

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. Judgment is exercised in determining the expected life and historical volatility. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities but may impact profit or loss and equity.

#### Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgment is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option are considered at the lease commencement date. The Company reassesses whether it is reasonably certain to exercise an extension option if there is a significant event or significant change in circumstances.

#### Incremental borrowing rate

Where the interest rate implicit in the lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

### 6. Trade and other receivables

	2020	2019
	\$	\$
Trade receivable	-	73,597
Sales taxes receivable	72,249	28,187
Other receivable	6,778	-
	<b>79,027</b>	<b>101,784</b>

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

**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**6. Trade and other receivables (continued)**

Trade receivable disclosed above include amounts that are past due at the end of the reporting period for which the Company has not recognized an allowance for expected credit losses because there has not been a significant change in credit quality and the amounts are still considered recoverable.

As at August 31, 2020, trade receivables of \$Nil (2019 – \$73,597) were past due but not impaired. They relate to customers with no default history. The aging analysis of these receivables is as follows:

	2020	2019
	\$	\$
0 – 30	-	67,887
31 – 60	-	-
61 – 90	-	-
91 and over	-	5,710
	-	73,597

Movements in the allowance for expected credit losses are as follows:

	2020	2019
	\$	\$
Opening balance	-	3,196
Recovery of bad debts	(458)	-
Reversal of trades and other receivables previously written-off	458	-
Provision recognized	-	530
Receivables written-off as uncollectable	-	(3,726)
<b>Closing balance</b>	-	-

**7. Inventories**

	2020	2019
	\$	\$
Raw materials	422,784	301,939
Work-in-process	17,000	147,388
Finished goods	51,743	369,484
	491,527	818,811

For the year ended August 31, 2020, inventories recognized as an expense amounted to \$1,812,783 (2019 – \$1,584,013, 2018 – \$769,839).

For the year ended August 31, 2020, cost of sales includes depreciation of \$142,336 (2019 – \$33,596, 2018 – \$29,870).

**Vision Marine Technologies Inc.**  
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**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**8. Property and equipment**

	Machinery and equipment \$	Rolling stock \$	Computer equipment \$	Moulds \$	Leasehold improvements \$	Total \$
<b>Cost</b>						
Balance at August 31, 2018	187,850	19,875	2,513	305,295	-	515,533
Additions	-	5,800	14,251	167,234	-	187,285
Balance at August 31, 2019	187,850	25,675	16,764	472,529	-	702,818
Impact of adoption of IFRS 16	-	-	(11,333)	-	-	(11,333)
Additions	-	6,500	3,005	33,643	34,818	77,966
<b>Balance at August 31, 2020</b>	<b>187,850</b>	<b>32,175</b>	<b>8,436</b>	<b>506,172</b>	<b>34,818</b>	<b>769,451</b>
<b>Accumulated depreciation</b>						
Balance at August 31, 2018	125,829	14,853	1,226	18,318	-	160,226
Depreciation	12,404	2,377	1,966	18,362	-	35,109
Balance at August 31, 2019	138,233	17,230	3,192	36,680	-	195,335
Impact of adoption of IFRS 16	-	-	(453)	-	-	(453)
Depreciation	9,923	3,784	1,817	20,980	-	36,504
<b>Balance at August 31, 2020</b>	<b>148,156</b>	<b>21,014</b>	<b>4,556</b>	<b>57,660</b>	<b>-</b>	<b>231,386</b>
<b>Net carrying amount</b>						
As at August 31, 2019	49,617	8,445	13,572	435,849	-	507,483
<b>As at August 31, 2020</b>	<b>39,694</b>	<b>11,161</b>	<b>3,880</b>	<b>448,512</b>	<b>34,818</b>	<b>538,065</b>

As at August 31, 2020, leasehold improvements of \$34,818 are not depreciated because they are not ready for use.

As at August 31, 2019, computer equipment under finance lease had a cost of \$11,333 and an accumulated depreciation of \$453.

**9. 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	-	-	26,428	26,428
<b>Balance at August 31, 2020</b>	<b>737,066</b>	<b>11,333</b>	<b>38,699</b>	<b>787,098</b>
<b>Accumulated depreciation</b>				
Balance at August 31, 2019	-	-	-	-
Impact of adoption of IFRS 16	-	453	-	453
Depreciation	117,806	3,778	12,094	133,678
<b>Balance at August 31, 2020</b>	<b>117,806</b>	<b>4,231</b>	<b>12,094</b>	<b>134,131</b>
<b>Net carrying amount</b>				
<b>As at August 31, 2020</b>	<b>619,260</b>	<b>7,102</b>	<b>26,605</b>	<b>652,967</b>

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

**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**10. Credit facility**

The Company has an authorized line of credit of \$250,000 and \$100,000 letter of guarantee facility, renewable annually, bearing interest at prime rate plus 1%, secured by a first ranking movable hypothec of \$750,000 on all assets, as well as a personal guarantee of \$250,000 from the shareholders.

**11. Trade and other payables**

	2020	2019
	\$	\$
Trade payable	590,495	346,683
Government remittances	7,706	4,086
Salaries and vacation payable	41,636	25,534
	<b>639,837</b>	<b>376,303</b>

**12. Contract liabilities**

	2020	2019
	\$	\$
Opening balance	180,072	676,070
Payments received in advance	516,820	140,872
Transferred to revenues	(676,449)	(636,870)
<b>Closing balance</b>	<b>20,443</b>	<b>180,072</b>

**13. Lease liabilities**

	\$
Balance at August 31, 2019	-
Impact of adoption of IFRS 16	757,553
Additions	26,424
Repayment	(130,130)
Negative variable lease payments	(26,003)
Interest on lease liabilities	45,144
<b>Balance at August 31, 2020</b>	<b>672,988</b>
Current	120,815
Non-current	552,173
	\$
Less than one year	120,815
One year to five years	552,173
	<b>672,988</b>

Included in rent expense is \$65,934 of short-term lease expense. The lease liabilities have a weighted average interest rate of 5.4%.



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

## Notes to Financial Statements August 31, 2020 and 2019

### 14. Related party transactions

#### Company controlled by the majority shareholder

California Electric Boat Company Inc.

#### Companies related through common ownership

Electric Boat Rental Ltd.  
7858078 Canada Inc

#### Company jointly controlled by the majority shareholder

9335-1427 Quebec Inc.

#### Ultimate founder shareholders and their individually controlled entities

Alexandre Mongeon  
Patrick Bobby  
Robert Ghetti  
Immobilier R. Ghetti Inc.  
Société de Placement Robert Ghetti Inc.

#### Founder shareholders

Gestion Toyma Inc.  
Entreprises Claude Beaulac Inc. (former shareholder)  
Gestion Moka Inc. (former shareholder)

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

	2020	2019	2018
	\$	\$	\$
<b>Revenues</b>			
<b>Sales of boats</b>			
Electric Boat Rental Ltd.	101,684	429,132	327,932
Patrick Bobby	11,000	-	-
<b>Other</b>			
Electric Boat Rental Ltd.	2,500	-	2,600
7858078 Canada Inc	6,074	5,000	-
<b>Sale of parts and boat maintenance</b>			
Electric Boat Rental Ltd.	79,696	26,399	42,817
Claude Beaulac	-	-	1,740
<b>Expenses</b>			
<b>Rent expense</b>			
California Electric Boat Company Inc.	-	143,376	35,056
Electric Boat Rental Ltd.	65,934	-	-
<b>Cost of sales</b>			
Electric Boat Rental Ltd.	16,865	-	-

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

## Notes to Financial Statements August 31, 2020 and 2019

### 14. Related party transactions (continued)

The Company leases its Boisbriand premises from California Electric Boat Company Inc. (note 9). At the end of the year, the amounts due to and from related parties are as follows:

	2020 \$	2019 \$
<b>Advances to related party</b>		
California Electric Boat Company Inc.	-	40,310
<b>Non-current advances from related parties</b>		
Alexandre Mongeon (subordinated in favor of the Company's lender)	-	81,061
Patrick Bobby (subordinated in favor of the Company's lender)	-	82,534
Robert Ghetti (subordinated in favor of the Company's lender)	-	45,215
Immobilier R. Ghetti Inc. (subordinated in favor of the Company's lender)	-	1,487
Société de Placement Robert Ghetti Inc. (subordinated in favor of the Company's lender)	-	242,426
	-	452,723
<b>Current advances from related parties</b>		
9335-1427 Quebec Inc.	<b>104,931</b>	104,931
Alexandre Mongeon	<b>141,972</b>	60,911
Patrick Bobby	<b>139,473</b>	56,939
Robert Ghetti	<b>64,750</b>	19,535
Immobilier R. Ghetti Inc.	<b>16,487</b>	15,000
Société de Placement Robert Ghetti Inc.	<b>279,376</b>	36,950
Gestion Toyma Inc.	<b>151,500</b>	151,500
Entreprises Claude Beaulac Inc. (former shareholder)	-	151,575
	<b>898,489</b>	597,341

Advances from related parties are non-interest bearing and have no specified terms of repayment.

Subsequent to August 31, 2019, the related parties waived their right to demand repayment until after September 1, 2020.

In July 2020, the holders of the advances from related parties and the Company have agreed that the advances shall automatically convert into Voting Common Shares of the Company at a conversion price equal to the per Voting Common Share offering price in the Initial Public Offering.

**Vision Marine Technologies Inc.**  
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**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**15. Long-term debt**

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Loan from Canada Economic Development for Quebec Regions, non-interest bearing, repayable in monthly instalments of \$1,667 starting July 2018. The loan is subject to a payment moratorium from April 2020 to October 2020 and the maturity has been consequently extended to March 1, 2024. The loan was discounted using an effective interest rate of 8.85% (a)	<b>52,385</b>	<b>58,672</b>
The government assistance loan is non-interest bearing until December 31, 2022 at which time the loan bears interest at 5% per annum. The loan must be repaid by December 31, 2025. If repaid by December 31, 2022, \$10,000 of the loan will be forgiven. During the year ended August 31, 2020, the Company recognized the forgiveness in profit and loss. The loan was discounted using an effective interest rate of 5%.	<b>26,859</b>	-
Term loan, bearing interest at 6.24%, repayable in monthly instalments of \$630, including principal and interest, and maturing in December 2038	<b>82,493</b>	<b>84,818</b>
Term loan, bearing interest at prime plus 3.46%, repayable in monthly principal payments of \$4,165 starting 12 months after the original disbursement date (b)	<b>250,000</b>	-
	<b>411,737</b>	143,490
Current portion of long-term debt	<b>57,249</b>	17,628
	<b>354,488</b>	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 founder shareholders of \$125,000. Under the terms of the loan agreement, the Company must comply to certain financial covenants. As at August 31, 2020, the Company was in compliance therewith.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 16. Capital stock

Authorized - Voting Common Shares, voting and participating	2020 \$	2019 \$
Issued - 4,585,001 (2019 – 3,275,554) Voting Common Shares	<b>2,497,813</b>	525

#### **Subscription and issuance of Class A common shares, share exchange and share consolidation**

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, at a ratio of 23,084.86:1. Immediately thereafter, the Board of Directors authorized the issuance of 2,643 Voting Common Shares for total consideration of \$0.11.

On September 3, 2020, the Board of Directors authorized the consolidation of all the issued and outstanding Voting Common Shares on the basis on 1 post-consolidation Voting Common Shares for every 3.7 pre-consolidation Voting Common Shares. The impact of this adjustment has been reflected in the Company's share capital and earnings (loss) per share.

#### **Subscription and issuance of Voting Common Shares**

On January 20, 2020, the Board of Directors authorized the issuance of 76,577 Voting Common Shares for total consideration of \$212,500.

On March 4, 2020, the Board of Directors authorized the issuance of 36,036 Voting Common Shares for total consideration of \$100,000.

On March 5, 2020, the Board of Directors authorized the issuance of 86,486 Voting Common Shares, for total consideration of \$320,000.

On April 10, 2020, the Board of Directors authorized the issuance of 540,540 Voting Common Shares to a third party in exchange for marketing services to be provided at a later date. Subsequently, on July 6, 2020, the contract and the related shares were cancelled, and no services were provided to the Company.

On April 10, 2020, the Board of Directors authorized the issuance of 31,982 Voting Common Shares, for services provided to the Company. The services were valued at \$118,333 of which \$91,800 is in connection with transaction costs directly attributable to the issuance of Voting Common Shares and \$26,533 is included in professional fees.

In July 2020, the Board of Directors authorized the issuance of 357,973 Voting Common Shares, for total consideration of \$1,324,500.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 16. Capital stock (continued)

In addition, the Board of Directors authorized the issuance of 39,189 Voting Common Shares in connection with transaction costs amounting to \$145,000 directly attributable to the issuance of Voting Common Shares.

The Company signed an agreement with the Chief Financial Officer (“CFO”) of the Company to grant a company controlled by the CFO Voting Common Shares in exchange for services rendered by the CFO. The CFO will receive 41,178 Voting Common Shares of the Company for every \$500,000 tranche of qualified equity financing in which he directly assisted to raise up to a maximum of 205,795 Voting Common Shares if \$2,500,000 is raised.

In July 2020, the Board of Directors authorized the issuance of 205,795 Voting Common Shares to a company controlled by the CFO of the Company in connection with the share-based compensation agreement. The Company has recorded a share-based compensation expense in the amount of \$572,110 as a result of the issuance of the Voting Common Shares.

In August 2020, the Board of Directors authorized the issuance of 6,757 Voting Common Shares for total consideration of \$25,000.

### 17. Share-based payments

#### Description of the plan

The Company has a fixed option plan. The Company's stock option plan is administered by the Board of Directors. Under the plan, the Company's Board of Directors may grant stock options to employees, advisors and consultants, and designates the number of options and the share price pursuant to the new options, subject to applicable regulations. The options, when granted, will have an exercise price of no less than the estimated fair value of shares at the date of grant.

#### Stock options

On May 27, 2020, the Company granted 354,054 stock options at an exercise price of \$3.70 per share and 162,162 stock options at an exercise price of \$2.775 per share to directors, officers, employees and consultants of the Company. The stock options will expire 5 to 10 years from the grant date.

The Company recognizes compensation expense for option grants based on the fair value at the date of grant using the Black-Scholes valuation model. For the year ended August 31, 2020, the share-based compensation expense recognized for stock options granted amounted to \$739,961. The table below lists the assumptions used to determine the fair value of these option grants. Volatility is based on public companies with characteristics similar to the Company.

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

**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**17. Share-based payments (continued)**

<b>Grant date</b>	<b>Exercise price \$</b>	<b>Market price \$</b>	<b>Expected volatility %</b>	<b>Risk-free interest rate %</b>	<b>Expected life (years)</b>
May 27, 2020	3.70	3.70	84	4	5
May 27, 2020	2.78	3.70	84	4	5

The following tables summarize information regarding the option grants outstanding as at August 31, 2020:

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Balance at August 31, 2019	-	-
Granted	516,216	3.41
Balance at August 31, 2020	516,216	3.41

<b>Exercise price \$</b>	<b>Number of options outstanding</b>	<b>Weighted average grant date fair value \$</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Exercisable options</b>	<b>Weighted average contractual life remaining (years)</b>
2.78	162,162	2.59	4.75	81,081	4.75
3.70	354,054	2.42	4.75	75,338	4.75

**18. Income taxes**

The income tax expense on the Company's income before tax differs from the theoretical amount that would arise using the federal and provincial statutory tax rates applicable. The difference is as follows:

	<b>2020 \$</b>	<b>2019 \$</b>	<b>2018 \$</b>
Income taxes at the applicable tax rate of 15% (2019 – 15%; 2018 – 17%)	(338,133)	44,618	(5,800)
Permanent differences	198,475	(6,032)	70,823
Temporary differences	160,967	25,801	86,710
<b>Income tax expense</b>	<b>21,309</b>	<b>64,387</b>	<b>151,733</b>

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**Notes to Financial Statements**  
**August 31, 2020 and 2019**

**18. Income taxes (continued)**

	Balance as at August 31, 2019 \$	Recognized in profit and loss \$	Balance as at August 31, 2020 \$
<b>Temporary differences</b>			
Property and equipment	(28,491)	(117,662)	<b>(146,153)</b>
Losses carried forward	-	74,760	<b>74,760</b>
Financing fees	-	(51,784)	<b>(51,784)</b>
Research and development	23,585	73,376	<b>96,961</b>
<b>Deferred tax liability</b>	<b>(4,906)</b>	<b>(21,310)</b>	<b>(26,216)</b>

	Balance as at August 31, 2018 \$	Recognized in profit and loss \$	Balance as at August 31, 2019 \$
<b>Temporary differences</b>			
Property and equipment	(26,389)	(2,102)	(28,491)
Research and development	47,284	(23,699)	23,585
<b>Deferred tax asset (liability)</b>	<b>20,895</b>	<b>(25,801)</b>	<b>(4,906)</b>

**19. Remuneration of directors and key management of the Company**

	2020 \$	2019 \$	2018 \$
Wages	<b>308,868</b>	207,751	179,949
Share-based payments – capital stock	<b>572,110</b>	-	-
Share-based payments – stock options	<b>259,410</b>	-	-
	<b>1,140,388</b>	207,751	179,949

**20. Capital disclosures**

The Company's objectives in managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 20. Capital disclosures (continued)

Capital is regarded as total equity, as recognized in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The Company manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust its capital structure, the Company may issue debt or new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the size of the Company.

The Company does not have any externally imposed capital compliance requirements at August 31, 2020.

### 21. Revenues

	2020 \$	2019 \$	2018 \$
Sales of boats	2,249,107	2,664,001	1,036,379
Sales of parts and boat maintenance	167,263	171,217	222,945
Commission	-	-	6,052
Other	803	34,159	6,190
	<b>2,417,173</b>	<b>2,869,377</b>	<b>1,271,566</b>

### 22. Financial instruments and risk management

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

#### 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.



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

## Notes to Financial Statements August 31, 2020 and 2019

### 22. Financial instruments and risk management (continued)

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.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a strict code of credit, including obtaining instalment payments, obtaining agency credit information and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date, is the carrying amount of financial assets. The Company does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure for a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company is exposed to liquidity risk primarily from its trade and other payables and long-term debt. The Company believes that its recurring financial resources are adequate to cover all its expenditures.

	Contractual cash flows \$	Less than one year \$	1-5 years \$	Greater than 5 years \$
<b>August 31, 2020</b>				
Bank indebtedness	170,000	170,000	-	-
Trade and other payables	639,837	639,837	-	-
Long-term debt	411,737	57,249	281,704	72,784
	<b>1,221,574</b>	<b>867,086</b>	<b>281,704</b>	<b>72,784</b>
<b>August 31, 2019</b>				
Bank indebtedness	283,813	283,813	-	-
Trade and other payables	376,303	376,303	-	-
Advances from related parties	1,050,064	-	1,050,064	-
Long-term debt	136,810	17,628	47,578	71,604
	<b>1,846,990</b>	<b>677,744</b>	<b>1,097,642</b>	<b>71,604</b>

#### Interest rate risk

The Company is exposed to interest rate risk on its variable rate bank indebtedness and variable and fixed rate long-term debt. Fixed-rate borrowings expose the Company to fair value risk while variable rate borrowings expose the Company to cash flow risk.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 22. Financial instruments and risk management (continued)

#### Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has certain financial assets and liabilities denominated in United States dollars. The Canadian dollar equivalent carrying amounts of these assets and liabilities are as follows:

	2020	2019
	\$	\$
Cash	88,952	-
Trade and other payables	42,201	64,499

### 23. Impact of Coronavirus outbreak

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 temporarily closed their offices. Employees who were previously working remotely are now back in the offices. 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. The Company has claimed the Canada Emergency Wage Subsidy, has benefited from the Canada Emergency Commercial Rent Assistance program from its landlord, and has drawn a government assistance loan (note 15).

The Company will continue to actively monitor the impact of COVID-19 and may take further actions that alter business operations as may be required by government authorities, or that are determined to be in the best interest of the Company’s employees, customers, suppliers and stakeholders. The full extend of the impact of COVID-19 on the Company’s business, operations and financial results will depend on evolving factors that the Company cannot accurately predict.

### 24. Subsequent events

#### Subscription and issuance of Voting Common Shares

In September 2020, the Board of Directors authorized the issuance of 547,297 Voting Common Shares, for total consideration of \$2,025,000.

On September 18, 2020, the Board of Directors authorized the issuance of 45,351 Voting Common Shares, for services provided to the Company. The services were valued at \$167,799.

On December 22, 2020, the Board of Directors authorized the issuance of 72,689 Voting Common Shares, being the conversion of the advances from related parties of \$937,689.

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

## Notes to Financial Statements August 31, 2020 and 2019

### 24. Subsequent events (continued)

#### Initial Public Offering

On November 27, 2020, the Company completed its initial public offering (the "Offering") of an aggregate of 2,760,000 common shares of the Company at a price of U.S.\$10.00 (\$13.22) per share, which includes 360,000 shares sold upon full exercise of the underwriter's option to purchase additional common shares, for gross proceeds of U.S.\$27,600,000 (\$36,487,200). The Company has listed on the Nasdaq on November 23, 2020 under the ticker VMAR. As consideration for services rendered in connection with the Offering, the Company paid ThinkEquity (the "Agent") a U.S.\$1,932,000 (\$2,554,104) cash commission and granted an option to acquire 151,800 common shares for a period of five years from the date of listing at an exercise price of U.S.\$12.50 (\$16.53). The Company paid other professional fees totalling U.S.\$380,376 (\$502,857) in connection with the Offering.

#### Share option

In October 2020, the Company granted a former employee 5,405 stock options at an exercise price of \$3.70.

In October 2020, the Company granted an employee 5,405 stock options at an exercise price of \$3.70.

On November 24, 2020, the Company granted directors 440,000 stock options at an exercise price of U.S.\$12.50 (\$16.53).

### 25. Additional cash flows information

#### Financing and investing activities not involving cash:

	2020	2019	2018
	\$	\$	\$
Additions to property and equipment by way of finance lease	-	11,333	-