



Vision Marine Technologies Inc.

**Condensed Interim Consolidated financial
statements**

For the Nine-Month Periods Ended May 31, 2022

and May 31, 2021

(Unaudited)

Vision Marine Technologies Inc.

Consolidated statement of financial position

(Unaudited)

	As at May 31, 2022	As at August 31, 2021
	\$	\$
Assets		
Current		
Cash	7,855,852	18,147,821
Trade and other receivables <i>[note 3]</i>	525,109	319,740
Inventories <i>[note 4]</i>	3,242,450	1,976,084
Prepaid expenses	3,323,663	544,843
Income tax receivable	130,745	-
Grants and investment tax credits receivable	845,915	108,302
Share subscription receivable <i>[note 14]</i>	39,200	39,200
Advances to related parties <i>[note 14]</i>	16,051	185,407
Total current assets	15,978,985	21,321,397
Debentures <i>[note 5]</i>	2,413,500	2,850,000
Right-of-use assets <i>[note 6]</i>	2,479,957	2,905,199
Property and equipment <i>[note 7]</i>	1,931,945	1,414,509
Intangible assets <i>[note 8]</i>	1,141,983	1,225,722
Deferred income taxes	17,547	17,547
Goodwill <i>[note 8]</i>	9,051,519	9,033,638
Other financial assets	115,049	33,280
Total assets	33,130,485	38,801,292
Liabilities and shareholders' equity		
Current		
Trade and other payables <i>[notes 10 & 14]</i>	870,289	848,054
Income tax payable	25,229	138,308
Contract liabilities <i>[note 11]</i>	1,553,531	898,713
Current portion of lease liabilities <i>[note 12]</i>	602,879	562,136
Current portion of long-term debt <i>[note 13]</i>	83,734	10,179
Other financial liabilities	189,825	237,444
Total current liabilities	3,325,487	2,694,834
Lease liabilities <i>[note 12]</i>	2,016,200	2,404,680
Long-term debt <i>[note 13]</i>	210,733	53,936
Deferred income taxes	126,747	122,655
Total liabilities	5,679,167	5,276,105
Shareholders' equity		
Capital stock <i>[note 15]</i>	43,277,538	42,834,982
Contributed surplus <i>[note 16]</i>	10,407,125	7,861,405
Accumulated other comprehensive income	392,348	388,566
Deficit	(26,625,693)	(17,559,766)
Total shareholders' equity	27,451,318	33,525,187
	33,130,485	38,801,292

See accompanying notes

Vision Marine Technologies Inc.

Consolidated statement of changes in equity (deficit)

(Unaudited)

Nine months ended May 31,

	Capital stock		Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	Units	\$	\$	\$	\$	\$
Shareholders' equity as at August 31, 2020	4,585,001	2,497,813	739,961	(2,445,859)	-	791,915
Total comprehensive loss <i>[restated [note 2]]</i>	-	-	-	(11,187,157)	-	(11,187,157)
Share issuance, net of transactions costs of nil	595,687	2,231,999	-	-	-	2,231,999
Initial Public Offering, net of transactions costs of \$3,328,687	2,760,000	33,158,513	-	-	-	33,158,513
Conversion of related party loans	69,650	898,489	-	-	-	898,489
Shares issued as consideration for the acquisition of intangible assets	30,000	573,936	-	-	-	573,936
Share-based compensation <i>[note 16]</i>	-	-	5,218,944	-	-	5,218,944
Shareholders' equity as at May 31, 2021 <i>[restated [note 2]]</i>	8,040,338	39,360,750	5,958,905	(13,633,016)	-	31,686,639
Shareholders' equity as at August 31, 2021	8,324,861	42,834,982	7,861,405	(17,559,766)	388,566	33,525,187
Total comprehensive loss	-	-	-	(9,065,927)	3,782	(9,062,145)
Share issuance, net of transactions costs of nil <i>[note 15]</i>	65,720	442,556	-	-	-	442,556
Share-based compensation <i>[note 16]</i>	-	-	2,545,720	-	-	2,545,720
Shareholders' equity as at May 31, 2022	8,390,581	43,277,538	10,407,125	(26,625,693)	392,348	27,451,318

See accompanying notes

Vision Marine Technologies Inc.

Consolidated statement of comprehensive loss

(Unaudited)

	Three months ended May 31, 2022	Three months ended May 31, 2021	Nine months ended May 31, 2022	Nine months ended May 31, 2021
	\$	\$	\$	\$
		Restated <i>[note 2]</i>		Restated <i>[note 2]</i>
Revenues <i>[note 17]</i>	2,014,769	770,770	3,975,140	1,234,492
Cost of sales <i>[note 4]</i>	890,649	604,797	2,079,821	984,233
Gross profit	1,124,120	165,973	1,895,319	250,259
Expenses				
Research and development <i>[note 18]</i>	32,670	311,626	50,179	378,626
Office salaries and benefits	968,126	544,107	2,571,948	928,980
Selling & marketing expenses	356,660	466,651	1,496,935	654,669
Professional fees	571,452	672,114	2,452,900	1,417,372
Office and general	551,633	327,059	1,485,823	855,037
Share-based compensation <i>[note 16]</i>	367,054	1,817,414	2,545,720	5,218,944
Depreciation	52,758	36,147	178,217	64,316
Net financial expense <i>[note 19]</i>	99,608	825,291	213,419	1,919,472
Other income	(21,887)	-	(86,876)	-
	2,978,074	5,000,409	10,908,265	11,437,416
Loss before tax	(1,853,954)	(4,834,436)	(9,012,946)	(11,187,157)
Income taxes				
Current tax expense	86,078	-	52,257	-
Deferred tax expense	7	-	724	-
	86,085	-	52,981	-
Net loss for the period	(1,940,039)	(4,834,436)	(9,065,927)	(11,187,157)
Items of comprehensive income that will be subsequently reclassified to earnings:				
Foreign currency translation differences for foreign operations, net of tax	(40,044)	-	3,782	-
Other comprehensive income (loss), net of tax	(40,044)	-	3,782	-
Total comprehensive loss for the period, net of tax	(1,980,083)	(4,834,436)	(9,062,145)	(11,187,157)
Weighted average shares outstanding	8,380,461	8,040,337	8,318,525	7,107,665
Basic and diluted loss per share	(0.24)	(0.60)	(1.09)	(1.57)

See accompanying notes

Vision Marine Technologies Inc.

Consolidated statement of cash flows

(Unaudited)

Nine months ended May 31,

	2022	2021
	\$	\$
		Restated
		<i>[note 2]</i>
Operating activities		
Net loss	(9,065,927)	(11,187,157)
Depreciation	722,679	225,241
Accretion on long-term debt and lease liability	110,380	35,899
Share-based compensation – options	2,545,720	5,218,944
Shares issued for services	442,556	109,069
Loss on debentures	436,500	-
Income tax expense	52,981	-
Income tax paid	(295,025)	-
Gain on lease termination	(3,668)	-
Effect of exchange rate fluctuation	(17,463)	-
	<u>(5,071,267)</u>	<u>(5,598,004)</u>
Net change in non-cash working capital items		
Trade and other receivables	(205,369)	(346,708)
Inventories	(1,266,366)	(892,339)
Grants and investment tax credits receivable	(737,613)	233,357
Other financial assets	(81,769)	-
Prepaid expenses	(2,778,820)	(1,540,168)
Trade and other payables	22,235	(5,140)
Contract liabilities	654,818	268,185
Other financial liabilities	(49,773)	-
Cash used in operating activities	<u>(9,513,924)</u>	<u>(7,880,817)</u>
Investing activities		
Additions to property and equipment	(680,536)	(169,503)
Proceeds from the disposal of property and equipment	46,346	-
Debentures subscribed	-	(3,400,000)
Additions to intangible assets	(32,202)	(543,987)
Cash used in investing activities	<u>(666,392)</u>	<u>(4,113,490)</u>
Financing activities		
Change in bank indebtedness	-	(170,000)
Increase in long-term debt	282,424	-
Repayment of long-term debt	(54,455)	(416,545)
Advances to related parties	176,771	-
Initial public offering, net of transaction costs paid	-	33,430,239
Issuance of shares	-	2,025,000
Repayment of lease liabilities	(516,393)	(134,792)
Cash provided (used) by financing activities	<u>(111,653)</u>	<u>34,733,902</u>
Net (decrease) increase in cash during the period	(10,291,969)	22,739,595
Cash, beginning of period	<u>18,147,821</u>	<u>1,296,821</u>
Cash, end of period	<u>7,855,852</u>	<u>24,036,416</u>

See accompanying notes

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

1. Incorporation and nature of business

Vision Marine Technologies Inc. [the “Company”] was incorporated on August 29, 2012 and its principal business is to manufacture and sell or rent electric boats. On November 27, 2020, the Company completed its initial public offering of an aggregate of 2,760,000 Voting Common Shares of the Company at a price of U.S.\$10.00 (\$13.22) per share for gross proceeds of U.S.\$27,600,000 (\$36,487,200). The Voting Common Shares of the Company are listed under the trading symbol “VMAR” on Nasdaq.

The Company is incorporated in Canada and its head office and registered office is located at 730 Curé-Boivin boulevard, Boisbriand, Quebec, J7G 2A7.

Business seasonality

The Company’s operating results generally vary from quarter to quarter as a result of changes in general economic conditions and seasonal fluctuations, among other things, in each of its reportable segments. This means the Company’s results in one quarter are not necessarily indicative of how the Company will perform in a future quarter.

Sale of electric boats

The sale of electric boats segment has a seasonal aspect to its operations. Most customers purchase their electric boats from the Company with the intention of utilizing them during the summer period which typically runs from early June to late August and corresponds to the Company’s fourth quarter of a financial year. As such, the revenues in this operating segment fluctuates based on the level of boat deliveries, with a high and a low in the fourth quarter and the first quarter, respectively.

Rental of electric boats

Revenue generated by the rental of electric boats segment also has a seasonal aspect to its operations. Boat rental as an activity is highly sought by customers when the weather is milder, which is typically the case during the period from May to August. A colder-than-expected or rainier summer in any given year could have an impact on the segment’s revenues and hence on its profitability. Revenue from the boat club memberships is not impacted by seasonality as the memberships are typically on an annual basis.

2. Basis of preparation

Compliance with IFRS

These condensed interim consolidated financial statements are for the three-month and nine-month period ended May 31, 2022 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 International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and should be read in conjunction with the consolidated financial statements for the year ended August 31, 2021.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended August 31, 2021.

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on July 12, 2022.

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

Basis of measurement

These condensed interim consolidated financial statements are presented in Canadian dollars and were prepared on a historical cost basis.

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company, and the subsidiaries that it controls. Control exists when the Company has the power over the subsidiary, when it is exposed or has rights to variable returns from its involvement with the subsidiary and when it has the ability to use its power to affect its returns. Subsidiaries that the Company controls are consolidated from the effective date of acquisition up to the effective date of disposal or loss of control.

Details of the Company's significant subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Principal activity	Country of incorporation and operation	Proportion of ownership held by the Company
7858078 Canada Inc.	Owns an electric boat rental center	Canada	100%
EB Rental Ltd.	Operates an electric boat rental center	United States	100%

Foreign currency translation

The Company's condensed interim consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. The functional currencies of 7858078 Canada Inc. and EB Rental Ltd. are the Canadian dollar and the US dollar, respectively.

The exchange rates for the currencies used in the preparation of the interim condensed consolidated financial statements were as follows:

	Exchange rate as at			Average exchange rate for
	May 31, 2022	August 31, 2021	June 3, 2021	Nine months ended May 31, 2022
US dollar	1.2655	1.2630	1.2103	1.2662

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 judgments, estimates and assumptions are considered significant to the condensed interim consolidated financial statements remain unchanged to the 2021 annual financial statements.

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

Correction of error

During 2022, the Company noted that deferred tax (recovery) expense had been erroneously calculated in its interim financial statements for the three and nine months ended May 31, 2021, with no impact on the consolidated financial statements as at August 31, 2021 and 2020 and the years then ended. As a consequence, deferred tax liability and (recovery) expense as at May 31, 2021 and for the three and nine months then ended have been overstated. The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	Three months ended May 31, 2021 \$	Nine months ended May 31, 2021 \$
Impact on consolidated statements of comprehensive loss (decrease/(increase) in loss)		
Deferred tax expense (recovery)	(26,375)	377,459
Net impact on loss for the period	(26,375)	377,459
Impact on basic and diluted loss per share (decrease/(increase) in loss per share)		
Basic and diluted loss per share	-	0.05

The change did not have an impact on other comprehensive income or the Company's operating, investing and financing cash flows for the three and nine months ended May 31, 2021.

During the three months ended May 31, 2022, the Company noted that the fair value of the Debentures as at February 28, 2022 was understated, resulting in an overstatement of the loss on Debentures for the three and six months ended February 28, 2022 in its interim financial statements for the three and six months ended February 28, 2022, with no impact on the consolidated financial statements as at August 31, 2021 and 2020 and the years then ended. The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	Previously reported \$	Effect of restatement \$	Amended \$
Consolidated statement of financial position as at February 28, 2022			
Debentures	1,990,000	538,500	2,528,500
Deficit	(25,224,153)	538,500	(24,685,653)
Consolidated statement of comprehensive loss for the three months ended February 28, 2022			
Net financing expense	809,855	(538,500)	271,355
Loss before tax	(4,305,386)	538,500	(3,766,886)
Net loss for the period	(4,236,810)	538,500	(3,698,310)
Total comprehensive loss for the period, net of tax	(4,308,936)	538,500	(3,770,436)
Basic and diluted loss per share	(0.51)	0.06	(0.45)

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

Consolidated statement of comprehensive loss for the six months ended February 28, 2022

Net financing expense	652,311	(538,500)	113,811
Loss before tax	(7,697,491)	538,500	(7,158,991)
Net loss for the period	(7,664,387)	538,500	(7,125,887)
Total comprehensive loss for the period, net of tax	(7,620,561)	538,500	(7,082,061)
Basic and diluted loss per share	(0.92)	0.06	(0.85)

The change did not have an impact on other comprehensive income or the Company's operating, investing and financing cash flows for the three and six months ended February 28, 2022.

3. Trade and other receivables

	As at May 31, 2022	As at August 31, 2021
	\$	\$
Trade receivables	175,104	27,388
Sales taxes receivable	164,193	166,749
Interest and other receivables	185,812	125,603
	525,109	319,740

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 May 31, 2022, trade receivables of \$102,980 [August 31, 2021 – \$27,388] were past due but not impaired. They relate to customers with no default history. The aging analysis of these receivables is as follows:

	As at May 31, 2022	As at August 31, 2021
	\$	\$
0 – 30 days	72,124	-
31 – 60 days	63,534	2,008
61 – 90 days	-	25,380
91 days and over	39,446	-
	175,104	27,388

There were no movements in the allowance for expected credit losses for the three and nine months ended May 31, 2022 and the year ended August 31, 2021.

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

4. Inventories

	As at May 31, 2022	As at August 31, 2021
	\$	\$
Raw materials	2,219,614	1,549,125
Work-in-process	216,945	327,757
Finished goods	805,891	99,202
	3,242,450	1,976,084

For the three and nine months ended May 31, 2022, inventories recognized as an expense amounted to \$890,649 and \$2,079,821 respectively [May 31, 2021 – \$604,797 and \$984,233 respectively].

For the three and nine months ended May 31, 2022, cost of sales includes depreciation of \$188,152 and \$544,462 respectively (May 31, 2021 – \$41,399 and \$160,925 respectively).

5. Debentures

On May 14, 2021, the Company subscribed for and purchased 3,400 senior unsecured subordinated convertible debentures of The Limestone Boat Company Limited ["Limestone"], a publicly traded company listed under the trading symbol "BOAT" on the TSX Venture Exchange [the "Debentures"], for an aggregate amount of \$3,400,000.

The Debentures bear interest at a rate of 10% per annum, payable annually in arrears, and have a 36-month term [the "Term"]. The Debentures are convertible at any time at the option of the Company into common shares of Limestone ["Common Shares"] at a conversion price of \$0.36 per Common Share [the "Conversion Price"]. If at any time following 120 days from the date of issuance of the Debentures [the "Closing Date"] and prior to the date that is 30 days prior to the end of the Term, the volume weighted average closing price of the Common Shares on the TSX Venture Exchange, or such other exchange on which the Common Shares may be listed, is equal to or higher than \$0.50 per Common Share for 20 consecutive trading days, Limestone may notify the Company that the Debentures will be automatically converted into Common Shares at the Conversion Price 30 days following the date of such notice.

The Debentures are carried at fair value through profit and loss and are considered as Level 2 financial instruments in the fair value hierarchy. For the three and nine months ended May 31, 2022, the Company recorded a loss of \$115,000 and \$436,500 respectively [May 31, 2021 – Nil and Nil respectively] in net finance expense for change in the fair value of the Debentures [note 19].

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

6. Right-of-use assets

	Premises	Computer equipment	Rolling stock	Boat rental fleet	Total
	\$	\$	\$	\$	\$
Cost					
Balance at August 31, 2020	737,066	11,333	38,699	-	787,098
Business acquisition	1,281,308	3,646	39,924	326,868	1,651,746
Additions	672,731	-	179,736	-	852,467
Disposals	-	-	(57,475)	-	(57,475)
Transfer to intangible assets	-	(11,333)	-	-	(11,333)
Currency translation	55,013	-	1,652	-	56,665
Balance at August 31, 2021	2,746,118	3,646	202,536	326,868	3,279,168
Additions	90,553	-	117,981	-	208,534
Disposals	-	-	(159,721)	(32,822)	(192,543)
Currency translation	2,396	-	394	-	2,790
Balance at May 31, 2022	2,839,067	3,646	161,190	294,046	3,297,949
Accumulated depreciation					
Balance at August 31, 2020	117,806	4,231	12,094	-	134,131
Depreciation	216,551	1,697	30,527	24,087	272,862
Disposal	-	-	(27,672)	-	(27,672)
Transfer to intangible assets	-	(5,352)	-	-	(5,352)
Balance at August 31, 2021	334,357	576	14,949	24,087	373,969
Depreciation	364,139	1,728	54,645	68,052	488,564
Disposal	-	-	(38,650)	(5,891)	(44,541)
Balance at May 31, 2022	698,496	2,304	30,944	86,248	817,992
Net carrying amount					
As at August 31, 2021	2,411,761	3,070	187,587	302,781	2,905,199
As at May 31, 2022	2,140,571	1,342	130,246	207,798	2,479,957

During the year ended August 31, 2021, the Company paid in full a lease liability related with a computer software that was previously included in the right-of-use assets. As a result, the Company transferred the asset to intangible assets at its net book value of \$5,981 [note 8].

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

7. Property and equipment

	Machinery and equipment \$	Rolling stock \$	Computer equipment \$	Moulds \$	Leasehold improvements \$	Boat rental fleet \$	Total \$
Cost							
Balance at August 31, 2020	187,850	32,175	8,436	506,172	34,818	-	769,451
Business acquisition	-	-	-	-	-	417,554	417,554
Additions	115,088	-	6,211	214,833	96,415	111,807	544,354
Disposals	-	-	-	(30,000)	-	(34,101)	(64,101)
Currency translation	-	-	-	-	-	18,057	18,057
Balance at August 31, 2021	302,938	32,175	14,647	691,005	131,233	513,317	1,685,315
Additions	30,146	127,025	9,194	148,301	50,194	315,676	680,536
Disposals	-	(5,800)	(4,899)	-	-	(40,496)	(51,195)
Currency translation	-	(35)	-	-	-	600	565
Balance at May 31, 2022	333,084	153,365	18,942	839,306	181,427	789,097	2,315,221
Accumulated depreciation							
Balance at August 31, 2020	148,156	21,014	4,556	57,660	-	-	231,386
Depreciation	19,448	3,348	3,842	22,760	11,579	8,443	69,420
Disposal	-	-	-	(30,000)	-	-	(30,000)
Balance at August 31, 2021	167,604	24,362	8,398	50,420	11,579	8,443	270,806
Depreciation	23,080	19,417	3,934	16,956	23,067	30,865	117,319
Disposal	-	(3,500)	(674)	-	-	(675)	(4,849)
Balance at May 31, 2022	190,684	40,279	11,658	67,376	34,646	38,633	383,276
Net carrying amount							
As at August 31, 2021	135,334	7,813	6,249	640,585	119,654	504,874	1,414,509
As at May 31, 2022	142,400	113,086	7,284	771,930	146,781	750,464	1,931,945

As at May 31, 2022, moulds of \$274,134 [August 31, 2021 – \$125,833] are not depreciated because they are not ready for use.

Vision Marine Technologies Inc.

Notes to the condensed interim consolidated financial statements

(Unaudited)
May 31, 2022

8. Intangible assets and goodwill

	Intellectual property \$	Software \$	Trade name \$	Backlog \$	Website \$	Total \$
Cost						
Balance at August 31, 2020	-	-	-	-	-	-
Business acquisition	-	-	90,000	76,000	18,000	184,000
Transfer from right-of-use assets [note 6]	-	5,981	-	-	-	5,981
Additions	1,035,070	67,592	-	-	-	1,102,662
Currency translation	-	-	3,856	3,220	771	7,847
Balance at August 31, 2021	1,035,070	73,573	93,856	79,220	18,771	1,300,490
Additions	-	28,202	4,000	-	-	32,202
Currency translation	-	-	438	330	87	855
Balance at May 31, 2022	1,035,070	101,775	98,294	79,550	18,858	1,333,547
Accumulated depreciation						
Balance at August 31, 2020	-	-	-	-	-	-
Depreciation	55,581	7,107	4,633	6,520	927	74,768
Balance at August 31, 2021	55,581	7,107	4,633	6,520	927	74,768
Depreciation	77,631	14,364	9,665	13,252	1,884	116,796
Balance at May 31, 2022	133,212	21,471	14,298	19,772	2,811	191,564
Net carrying amount						
As at August 31, 2021	979,489	66,466	89,223	72,700	17,844	1,225,722
As at May 31, 2022	901,858	80,304	83,996	59,778	16,047	1,141,983

On February 16, 2021, the Company acquired intellectual property in exchange for cash consideration of EUR 300,000 (\$461,134) and the issuance of 30,000 shares of the Company at a price of U.S.\$15.07 [approximately \$19.13] for total consideration of \$1,035,070.

As at May 31, 2022, software of Nil [August 31, 2021 - \$42,677] are not depreciated because they are not ready for use.

The balance of goodwill is at \$9,051,519 at May 31, 2022 [August 31, 2021 – \$9,033,638], with the change since acquisition date due to foreign exchange translation.

9. Credit facility

The Company has an authorized line of credit of \$250,000, renewable annually, bearing interest at prime rate plus 1%, secured by a first ranking movable hypothec of \$750,000 on all present and future accounts receivable and inventory. As at May 31, 2022, the Company has drawn an amount of Nil [August 31, 2021 – Nil] on the line of credit.

Vision Marine Technologies Inc.

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10. Trade and other payables

	As at May 31, 2022	As at August 31, 2021
	\$	\$
Trade payable	657,285	560,870
Sales taxes payable	2,393	34,076
Government remittances	13,910	46,030
Salaries and vacation payable	196,701	207,078
	870,289	848,054

11. Contract liabilities

	As at May 31, 2022	As at August 31, 2021
	\$	\$
Opening balance	898,713	20,443
Business acquisition	-	482,173
Payments received in advance	1,368,466	1,199,958
Payments reimbursed	(3,164)	(37,842)
Transferred to revenues	(711,539)	(766,019)
Currency translation	1,055	-
Closing balance	1,553,531	898,713

12. Lease liabilities

	As at May 31, 2022	As at August 31, 2021
	\$	\$
Opening balance	2,966,816	672,988
Business acquisition	-	1,651,746
Additions	208,534	852,467
Repayment	(516,393)	(295,316)
Interest on lease liability	108,976	65,115
Lease termination	(151,670)	(37,033)
Currency translation	2,816	56,849
Closing balance	2,619,079	2,966,816
Current	602,879	562,136
Non-current	2,016,200	2,404,680
	2,619,079	2,966,816

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Future undiscounted lease payments as at May 31, 2022 are as follows:

	\$
Less than one year	721,554
One to five years	2,190,441
	<u>2,911,995</u>

13. Long-term debt

	As at May 31, 2022	As at August 31, 2021
	\$	\$
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.	38,862	36,972
Term loan bearing interest at a rate of 5.80% per annum payable in monthly installments of \$848 until April 2024.	-	27,143
Term loans bearing interest at rates varying between 9.44% and 10.71% per annum payable in monthly installments of \$7,372 until January 2025, which are secured by a lien on certain boat rental fleet.	204,881	-
Term loan bearing interest at rate of 3.59% per annum payable in monthly installments of \$1,244 until December 2025.	50,724	-
	<u>294,467</u>	64,115
Current portion of long-term debt	83,734	10,179
	<u>210,733</u>	53,936

14. Related party transactions

Companies related through common ownership

EB Rental Ltd. [prior to June 3, 2021]
7858078 Canada Inc. [prior to June 3, 2021]
Montana Strategies Inc.

Key management personnel of the Company have control over the following entities

California Electric Boat Company Inc.
9335-1427 Quebec Inc.
Hurricane Corporate Services Ltd.
Mac Engineering, SASU – Since February 16, 2021

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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 period:

	Three months ended May 31, 2022 \$	Three months ended May 31, 2021 \$	Nine months ended May 31, 2022 \$	Nine months ended May 31, 2021 \$
Revenues				
Sale electric of boats	-	41,000	-	84,000
EB Rental Ltd. [prior to June 3, 2021]				
Sale of parts and boat maintenance	-	7,500	-	36,500
EB Rental Ltd. [prior to June 3, 2021]				
Expenses				
Cost of sales				
EB Rental Ltd. [prior to June 3, 2021]	-	-	-	17,000
9335-1427 Quebec Inc.	-	75,000	-	75,000
Research and Development				
Mac Engineering, SASU	134,962	-	455,331	-
Travel and entertainment				
EB Rental Ltd.	-	12,000	-	12,000
Office salaries and benefits				
Montana Strategies Inc.	14,488	-	48,616	-

The Company leases its Boisbriand premises from California Electric Boat Company Inc. As at May 31, 2022, right-of-use assets and lease liabilities related to those leases amount to \$950,537 and \$1,026,227 respectively [August 31, 2021 – \$1,132,556 and \$1,177,867 respectively] [notes 6 and 12].

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Remuneration of directors and key management of the Company

	Three months ended May 31, 2022	Three months ended May 31, 2021	Nine months ended May 31, 2022	Nine months ended May 31, 2021
	\$	\$	\$	\$
Wages	664,573	357,000	1,905,467	809,000
Share-based payments – stock options	328,994	1,404,000	2,426,874	4,537,000
	993,567	1,761,000	4,332,341	5,346,000

The amounts due to and from related parties are as follows:

	As at May 31, 2022	As at August 31, 2021
	\$	\$
Share subscription receivable		
9335-1427 Quebec Inc.	25,000	25,000
Alexandre Mongeon	14,200	14,200
	39,200	39,200
Current advances to related party		
Alexandre Mongeon	16,061	185,407
Amounts due to related parties included in trade and other payable		
Alexandre Mongeon	4,000	74,157
Patrick Bobby	3,079	11,092
Kulwant Sandher	2,015	7,054
Xavier Montagne	2,073	-
Mac Engineering, SASU	16,608	29,957
	27,775	122,260

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

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15. Capital stock

Authorized

Voting Common Shares, voting and participating

Issued

	As at May 31, 2021	As at August 31, 2021
	\$	\$
8,390,581 voting common shares [August 31, 2021 – 8,324,861]	<u>43,277,538</u>	<u>42,834,982</u>

Subscription and issuance of Voting Common Shares

On January 12, 2022 and February 1, 2022, the Board of Directors authorized the issuance of 25,000 Voting Common Shares and 5,435 Voting Common Shares respectively to a third party in exchange for marketing services provided to the Company.

On January 31, 2022, the Board of Directors authorized the issuance of 6,479 Voting Common Shares to a third party in exchange for sub-contracting services provided to the Company related to research and development.

During the three-month period ended May 31, 2022, the Company issued 28,806 Voting Common Shares to third parties in exchange of sub-contracting services provided to the Company related to investor relations.

16. 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 multiple grant dates, the Company granted a total of 1,709,121 stock options at exercise prices varying between \$2.78 and \$16.29 per share to directors, officers, employees and consultants of the Company. The stock options will expire 5 to 10 years from the grant dates.

The Company recognizes share-based payments expense for option grants based on the fair value at the date of grant using the Black-Scholes valuation model. The share-based payments expense recognized for the three and nine months ended May 31, 2022 amounts to \$367,054 and \$2,545,720 respectively [May 31, 2021 – \$1,817,414 and \$5,218,944 respectively]. 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.

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Grant date	Exercise price \$	Market price \$	Expected volatility %	Risk-free interest rate %	Expected life [years]
May 27, 2020	3.70	3.70	84	0.4	5
May 27, 2020	2.78	3.70	84	0.4	5
October 23, 2020	3.70	3.70	97	0.4	5
November 24, 2020	16.29	13.03	101	0.4	5
February 23, 2021	15.75	15.05	103	0.6	5
May 14, 2021	8.98	9.06	105	0.8	5
July 14, 2021	9.25	9.01	105	0.7	5
September 21, 2021	8.85	8.58	106	0.9	5
January 22, 2022	5.65	5.52	107	1.5	5

The following tables summarize information regarding the option grants outstanding as at May 31, 2022:

	Number of options #	Weighted average exercise price \$
Balance at August 31, 2020	516,216	3.41
Granted	1,148,310	12.86
Forfeited	(5,405)	3.70
Balance at August 31, 2021	1,659,121	9.95
Granted	152,500	6.70
Forfeited	(102,500)	13.59
Balance at May 31, 2022	1,709,121	9.44

Exercise price \$	Number of options outstanding #	Weighted average grant date fair value \$	Weighted average remaining contractual life [years]	Exercisable options #
3.70	348,648	2.42	3.00	325,000
2.78	162,162	2.59	3.00	162,162
3.70	10,811	2.69	3.25	7,545
16.29	440,000	9.33	8.50	440,000
15.75	120,000	11.28	3.75	37,500
8.98	500,000	6.91	4.00	500,000
8.85	25,000	6.55	9.50	25,000
5.65	102,500	4.28	4.75	89,167

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Warrants

On November 23, 2020, the Company granted the underwriter the option to purchase 151,800 Voting Common Shares of the Company for a period of five years from the date of the initial public offering at an exercise price of U.S. \$12.50 (\$16.53).

Grant date	Exercise price \$	Number of warrants outstanding #	Weighted average remaining contractual life [years]
November 23, 2020	16.53	151,800	3.50

17. Revenues

	Three months ended May 31, 2022 \$	Three months ended May 31, 2021 \$	Nine months ended May 31, 2022 \$	Nine months ended May 31, 2021 \$
Sale of electric boats	613,354	747,831	873,158	1,161,044
Sale of parts and boat maintenance	32,878	22,939	56,968	69,943
Boat rental and boat club membership revenue	1,368,537	-	3,045,014	-
Other	-	-	-	3,505
	2,014,769	770,770	3,975,140	1,234,492

The geographical distribution of revenues from external customers is as follows:

	Sale of electric boats \$	Rental of electric boats \$	Three months ended May 31, 2022 Total \$	Three months ended May 31, 2021 Sale of electric boats \$
Canada	229,972	-	229,972	144,760
USA	416,260	1,368,537	1,784,797	625,015
Other	-	-	-	995
	646,232	1,368,537	2,014,769	770,770

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			Nine months ended May 31, 2022	Nine months ended May 31, 2021
	Sale of electric boats \$	Rental of electric boats \$	Total \$	Sale of electric boats \$
Canada	370,448	-	370,448	146,891
USA	559,678	3,045,014	3,604,692	993,502
Other	-	-	-	94,099
	930,126	3,045,014	3,975,140	1,234,492

18. Grants and investment tax credits

During the three and nine months ended May 31, 2022, the Company recognized grants and investment tax credits amounting to \$607,256 and \$1,410,605 respectively [May 31, 2021 – Nil and \$119,482], of which \$607,256 and \$1,384,516 respectively are presented against research and development expenses [May 31, 2021 – Nil and \$37,449 respectively], Nil and \$8,535 respectively against cost of sales [May 31 2021 – Nil and \$64,831 respectively] and Nil and \$16,881 respectively as a reduction of property and equipment and intangible assets [May 31, 2021 – Nil and Nil]. Office salaries and benefits are presented net of Nil and \$673 respectively [May 31, 2021 – Nil and \$17,203 respectively] of grants.

19. Net finance expense

	Three months ended May 31, 2022 \$	Three months ended May 31, 2021 \$	Nine months ended May 31, 2022 \$	Nine months ended May 31, 2021 \$
Interest and bank charges	42,274	17,283	123,972	72,622
Interest income	(85,000)	(36,792)	(257,891)	(50,585)
Foreign currency exchange (gain) loss	27,334	844,800	(89,162)	1,897,435
Loss on Debentures [note 5]	115,000	-	436,500	-
	99,608	825,291	213,419	1,919,472

20. 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].

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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/from related parties and trade and other payables 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.

Classified as Level 2, the fair value of debentures is estimated using the partial differential equation model to value convertible debentures that include a call feature. Key assumptions used in the model include volatility, which is based on actual trading data, difference in volatility since initial issuance of the instrument and similar instruments on the market, and credit spread, which is based on corporate bond yield spreads in the market and credit spread data for similar public companies. The model includes a fair value adjustment based on an initial calibration exercise.

Below is a sensitivity analysis based on variations in the key assumptions used in the model. The table presents the fair value of the debentures would have been as at May 31, 2022 had the key assumptions varied as indicated:

	Volatility		Credit spread	
	+5%	-5%	+2%	-2%
	\$	\$	\$	\$
Fair value of debentures	2,417,500	2,410,500	2,481,000	2,348,500

21. Segment information

The Company operates in two reportable business segments.

The two reportable business segments offer different products and services, require different processes and are based on how the financial information is produced internally for the purposes of monitoring operating results and making decisions about resource allocation and performance assessment by the Company's Chief Operating Decision Maker.

The following summary describes the operations of each of the Company's reportable business segments:

- Sale of electric boats – manufacture of customized electric boats for consumer market and sale of boat parts maintenance, and
- Rental of electric boat – short-term rental operation and boat club membership.

Sales between segments are accounted for at prices that approximate fair value. No business segments have been aggregated to form the above reportable business segments.

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	Three months ended May 31, 2022				Three months ended May 31, 2021
	Sale of electric boats	Rental of electric boats	Inter-segment eliminations	Total	Sale of electric boats
	\$	\$	\$	\$	\$
Revenue from external customers	646,232	1,368,537	-	2,014,769	770,770
Revenue from other segments	105,272	16,512	(121,784)	-	-
Segment revenues	751,504	1,385,049	(121,784)	2,014,769	770,770
Segment gross profit	271,869	854,620	(2,369)	1,124,120	165,973
Segment (loss) profit before tax	(2,188,967)	319,593	15,420	(1,853,954)	(4,834,436)
Research and development	32,670	-	-	32,670	311,626
Office salaries and benefits	749,455	218,671	-	968,126	544,107

	Nine months ended May 31, 2022				Nine months ended May 31, 2021
	Sale of electric boats	Rental of electric boats	Inter-segment eliminations	Total	Sale of electric boats
	\$	\$	\$	\$	\$
Revenue from external customers	930,126	3,045,014	-	3,975,140	1,234,492
Revenue from other segments	433,898	64,281	(498,179)	-	-
Segment revenues	1,364,024	3,109,295	(498,179)	3,975,140	1,234,492
Segment gross profit	237,024	1,745,821	(87,526)	1,895,319	250,259
Segment (loss) profit before tax	(9,199,678)	229,267	(42,535)	(9,012,946)	(11,187,157)
Research and development	50,179	-	-	50,179	378,626
Office salaries and benefits	1,869,127	702,820	-	2,571,947	928,980

	As at May 31, 2022			
	Sale of electric boats	Rental of electric boats	Inter-segment eliminations	Total
	\$	\$	\$	\$
Segment assets	29,237,709	13,078,097	(9,185,321)	33,130,485
Cash	6,782,751	1,073,101	-	7,855,852
Additions to property and equipment	254,521	508,517	(82,502)	680,536
Additions to intangible assets	32,202	-	-	32,202
Segment liabilities	2,674,341	3,089,738	(84,912)	5,679,167

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	As at August 31, 2021			
	Sale of	Rental of	Inter-segment	Total
	electric boats	electric boats	eliminations	
	\$	\$	\$	\$
Segment assets	35,175,599	12,734,296	(9,108,603)	38,801,292
Cash	17,210,266	937,555	-	18,147,821
Additions to property and equipment	432,547	145,275	(33,468)	544,354
Additions to intangible assets	1,102,662	-	-	1,102,662
Segment liabilities	2,400,829	2,938,746	(63,470)	5,276,105

The Company has disclosed the above amounts for each reportable segment because they are regularly reviewed by the Chief Operating Decision Maker.

22. Impact of Coronavirus outbreak

The coronavirus ("COVID-19") global pandemic continues throughout the world. This pandemic has caused supply-chain issues for the Company and as a result the Company has not been able to realize on orders received in a timely manner. The full extent 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.

23. Additional cash flows information

Financing and investing activities not involving cash:

	Nine months ended May 31, 2022	Nine months ended May 31, 2021
	\$	\$
Additions to right-of-use assets	208,534	685,262
Lease termination	148,002	2,231
Advances from related parties converted to shares	-	898,489
Unpaid share subscription	-	39,200
Right-of-use assets transferred to intangible assets, net of accumulated depreciation	-	5,981
Shares issued as consideration for the acquisition of intangible assets	-	573,936
Transaction costs for share issuance transferred from prepaid	-	213,019

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24. Commitments

In addition to the obligations under leases [note 12], the Company is subject to supply agreements with minimum spend commitments. The amount of the minimum fixed and determinable portion of the unconditional purchase obligations over the next years, is as follows:

	\$
2022	1,620,601
2023	4,084,415
2024	1,181,600

In October 2021, EB Rental Ltd. has entered into a lease arrangement for premises, which has not commenced yet and therefore related right-of-use asset and lease liability are not recorded as at May 31, 2022. The lease offers EB Rental Ltd. a termination clause in case certain contractual requirements are not met by the lessor at the lease commencement date. The Company's undiscounted lease commitments related to this lease are as follows as at May 31, 2022:

	\$
2022	-
2023	101,000
2024	154,000
2025	157,000
2026 and thereafter	378,000

25. Subsequent events

During the months of June and July 2022, the Company issued a total of 19,204 Voting Common Shares to third parties in exchange of sub-contracting services provided to the Company related to investor relations.

26. Comparative figures

Certain comparative figures have been reclassified to conform to current period's presentation.