

Exhibit 99.1



**Vision Marine Technologies Inc.**

**Condensed Interim Consolidated Financial Statements  
For the three-month and six-month periods ended  
February 29, 2024  
(Unaudited)**

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## Vision Marine Technologies Inc.

## Consolidated statements of financial position

[Going concern uncertainty – see note 2]

(Unaudited)

	As at February 29, 2024	As at August 31, 2023
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	1,185,083	3,359,257
Trade and other receivables [note 3]	376,703	550,836
Income tax receivable	42,238	98,540
Inventories [note 4]	4,781,765	2,445,554
Prepaid expenses	3,849,800	1,973,591
Share subscription receivable [note 16]	39,200	39,200
Advances to related parties [note 16]	19,071	20,135
<b>Total current assets</b>	<b>10,293,860</b>	<b>8,487,113</b>
Right-of-use assets [note 6]	2,125,430	2,414,593
Property and equipment [note 7]	2,296,299	2,313,926
Intangibles [note 8]	885,400	966,724
Goodwill [note 9]	5,431,975	9,680,941
Deferred income taxes	185,950	68,460
Other financial assets	114,578	114,755
<b>Total assets</b>	<b>21,333,492</b>	<b>24,046,512</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current</b>		
Credit facility [note 10]	136,911	155,000
Trade and other payables [notes 11 & 16]	2,071,544	1,754,900
Provision on onerous contracts	91,667	91,667
Contract liabilities [note 12]	1,762,632	1,815,731
Current portion of lease liabilities [note 13]	714,842	647,638
Current portion of long-term debt [note 14]	165,948	271,546
Other financial liabilities	78,709	113,695
<b>Total current liabilities</b>	<b>5,022,253</b>	<b>4,850,177</b>
Lease liabilities [note 13]	1,697,820	1,994,156
Long-term debt [note 14]	222,962	33,783
Derivative liabilities [note 15]	7,992,930	5,558,822
Deferred income taxes	-	45,137
<b>Total liabilities</b>	<b>14,935,965</b>	<b>12,482,075</b>
<b>Shareholders' equity</b>		
Capital stock [note 17]	52,268,158	50,395,717
Contributed surplus [note 18]	12,006,417	11,684,829
Accumulated other comprehensive income	1,053,709	1,032,628
Deficit	(58,930,757)	(51,548,737)
<b>Total shareholders' equity</b>	<b>6,397,527</b>	<b>11,564,437</b>
	<b>21,333,492</b>	<b>24,046,512</b>

See accompanying notes

## Vision Marine Technologies Inc.

## Consolidated statements of changes in equity (deficit)

[Going concern uncertainty – see note 2]

(Unaudited)

For the six-months period ended

	Capital stock		Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	Units	\$				
<b>Shareholders' equity as at August 31, 2022</b>	8,417,923	43,441,591	10,560,886	(30,671,552)	697,671	24,028,596
Total comprehensive income (loss)	-	-	-	(13,487,720)	356,835	(13,130,885)
Stock options exercised	5,057	30,949	(12,238)	-	-	18,711
Share issuance	1,061,922	1,934,150	-	-	-	1,934,150
Share-based compensation [note 18]	-	-	423,167	-	-	423,167
<b>Shareholders' equity as at February 28, 2023</b>	9,484,902	45,406,690	10,971,815	(44,159,272)	1,054,506	13,273,739
<b>Shareholders' equity as at August 31, 2023</b>	<b>11,172,800</b>	<b>50,395,717</b>	<b>11,684,829</b>	<b>(51,548,737)</b>	<b>1,032,628</b>	<b>11,564,437</b>
Total comprehensive income (loss)	-	-	-	(7,382,020)	21,081	(7,360,939)
Series A Convertible Preferred Shares converted [notes 15 and 17]	132,380	94,622	-	-	-	94,622
Share issuance [note 17]	793,041	1,777,819	-	-	-	1,777,819
Share-based compensation [note 18]	-	-	321,588	-	-	321,588
<b>Shareholders' equity as at February 29, 2024</b>	<b>12,098,221</b>	<b>52,268,158</b>	<b>12,006,417</b>	<b>(58,930,757)</b>	<b>1,053,709</b>	<b>6,397,527</b>

See accompanying notes

## Vision Marine Technologies Inc.

## Consolidated statements of comprehensive income (loss)

*[Going concern uncertainty – see note 2]*

(Unaudited)

	Three- month period ended February 29, 2024	Three- month period ended February 28, 2023	Six- month period ended February 29, 2024	Six- month period ended February 28, 2023
	\$	\$	\$	\$
<b>Revenues [note 19]</b>	<b>728,611</b>	831,195	<b>1,715,003</b>	2,230,955
Cost of sales [note 4]	<b>508,528</b>	781,871	<b>1,059,392</b>	2,077,355
<b>Gross profit</b>	<b>220,083</b>	49,324	<b>655,611</b>	153,600
<b>Expenses</b>				
Research and development	334,731	633,557	1,319,237	4,320,754
Office salaries and benefits	1,044,772	985,453	1,905,226	1,825,185
Selling and marketing expenses	611,492	498,503	1,400,824	1,140,581
Professional fees	513,555	719,634	1,606,407	1,580,219
Office and general	707,379	686,836	1,460,374	1,397,251
Share-based compensation [note 18]	72,019	110,288	146,352	423,167
Depreciation and amortization	210,942	124,099	414,151	215,843
Net finance expense (income) [note 20]	861,776	3,084,250	(4,362,403)	2,938,590
Goodwill impairment loss [note 9]	4,274,000	-	4,274,000	-
Other expense (income)	36,735	(74,881)	(29,509)	(193,133)
	<b>8,667,401</b>	6,767,739	<b>8,134,659</b>	13,648,457
<b>Loss before taxes</b>	<b>(8,447,318)</b>	(6,718,415)	<b>(7,479,048)</b>	(13,494,857)
Income taxes				
Current tax expense	47,642	20,000	65,438	30,000
Deferred tax recovery	(87,811)	(37,137)	(162,466)	(37,137)
	<b>(40,169)</b>	(17,137)	<b>(97,028)</b>	(7,137)
<b>Net loss for the period</b>	<b>(8,407,149)</b>	(6,701,278)	<b>(7,382,020)</b>	(13,487,720)
<b>Items of comprehensive income that will be subsequently reclassified to earnings:</b>				
Foreign currency translation differences for foreign operations, net of tax	(7,439)	773	21,081	356,835
<b>Other comprehensive income (loss), net of tax</b>	<b>(7,439)</b>	773	<b>21,081</b>	356,835
<b>Total comprehensive loss for the period, net of tax</b>	<b>(8,414,588)</b>	(6,700,505)	<b>(7,360,939)</b>	(13,130,885)
Weighted average Voting Common Shares outstanding	11,701,400	8,726,591	11,619,671	8,577,507
Basic and diluted loss per share	<b>(0.72)</b>	(0.77)	<b>(0.63)</b>	(1.57)

*See accompanying notes*

## Vision Marine Technologies Inc.

## Consolidated statements of cash flows

[Going concern uncertainty – see note 2]

(Unaudited)

For the six-month period ended

	February 29, 2024	February 28, 2023
	\$	\$
<b>Operating activities</b>		
Net loss	(7,382,020)	(13,487,720)
Depreciation and amortization	540,277	519,186
Accretion on long-term debt and lease liability	90,844	74,524
Share-based compensation – options and warrants	321,588	423,167
Shares issued for services	762,358	216,300
Loss on investment in Limestone [note 5]	-	2,435,000
Goodwill impairment loss	4,274,000	-
Transaction costs – Preferred Shares [note 15]	1,535,627	-
Income tax recovery	(97,028)	(7,137)
Income tax recovered	(8,802)	-
Loss (gain) on disposal of property and equipment	2,558	(59,611)
Loss (gain) on derivative liabilities	(6,317,928)	376,455
Gain on lease termination	-	(45,141)
Effect of exchange rate fluctuation	(1,458)	84,769
	<u>(6,279,984)</u>	<u>(9,470,208)</u>
Net change in non-cash working capital items		
Trade and other receivables	174,133	404,005
Inventories	(2,204,047)	(424,795)
Other financial assets	-	3,790
Prepaid expenses	(1,876,209)	1,820,036
Trade and other payables	316,644	786,155
Contract liabilities	(53,099)	(303,118)
Other financial liabilities	(34,985)	(28,520)
<b>Cash used in operating activities</b>	<u>(9,957,547)</u>	<u>(7,212,655)</u>
<b>Investing activities</b>		
Additions to property and equipment	(247,130)	(612,742)
Proceeds from the disposal of property and equipment	-	401,782
<b>Cash used in investing activities</b>	<u>(247,130)</u>	<u>(210,960)</u>
<b>Financing activities</b>		
Change in credit facility	(18,089)	975,000
Issuance of long-term debt	247,000	-
Repayment of long-term debt	(184,020)	(44,230)
Voting Common Shares issued for options exercised	-	18,711
Issuance of Series A & B Convertible Preferred Shares and Warrants [note 15]	6,545,298	-
Issuance of Voting Common Shares and Warrants [note 17]	1,781,194	5,117,632
Repayment of lease liabilities	(340,880)	(352,562)
<b>Cash provided by financing activities</b>	<u>8,030,503</u>	<u>5,714,551</u>
<b>Net decrease in cash during the period</b>	<u>(2,174,174)</u>	<u>(1,709,064)</u>
Cash, beginning of period	3,359,257	5,824,716
<b>Cash, end of period</b>	<u>1,185,083</u>	<u>4,115,652</u>

See accompanying notes

**Vision Marine Technologies Inc.****Notes to the condensed interim consolidated financial statements**

(Unaudited)

February 29, 2024

**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. 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 fluctuate 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 and going concern uncertainty****Compliance with IFRS**

These condensed interim consolidated financial statements are for the three-month and six-month periods ended February 29, 2024 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, 2023.

The accounting policies adopted in the preparation of these condensed interim 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, 2023.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on April 15, 2024.

**Vision Marine Technologies Inc.****Notes to the condensed interim consolidated financial statements**

(Unaudited)

February 29, 2024

**Going concern uncertainty**

As of February 29, 2024, the Company has cash of \$1,185,083 and working capital of \$5,271,607. The Company has incurred recurring losses, has not yet achieved profitable operations and has a deficit of \$58,930,757 since its inception. The cash flows from operations were negative for the three years ended August 31, 2023 as well as for the current six-month period ended February 29, 2024. Additional financing will be needed by the Company to fund its operations and to commercialize the E-Motion powertrain business. These matters, when considered in aggregate, indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern for at least 12 months from the issuance of these condensed interim consolidated financial statements. In view of these matters, continuation as a going concern is dependent upon the continued operations of the Company which will be determined by the Company's ability to meet its financial requirements, including its ability to raise additional capital.

The Company is evaluating several different strategies and is actively pursuing actions that are expected to increase its liquidity position, including, but not limited to, pursuing additional cost savings initiatives, seeking additional financing from both the public and private markets through the issuance of equity securities, and potentially selling assets which do not align with the Company's outlook of future operations. For the six-month period ended February 29, 2024, the Company was able to raise net proceeds from issuance of common shares, warrants, preferred shares and options to purchase additional preferred shares and warrants of \$8,326,492. However, the Company's management cannot provide assurances that the Company will be successful in accomplishing any of its proposed financing plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur within the next 12 months which could increase the Company's need to raise additional capital on an immediate basis, which additional capital may not be available to the Company.

The accompanying condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These condensed interim consolidated financial statements as at and for the three-month and six-month periods ended February 29, 2024 do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate. Such adjustments could be material.

**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.

**Vision Marine Technologies Inc.****Notes to the condensed interim consolidated financial statements**

(Unaudited)

February 29, 2024

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

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Country of incorporation and operation</b>	<b>Proportion of ownership held by the Company</b>
7858078 Canada Inc.	Owens an electric boat rental center	Canada	100%
EB Rental Ltd.	Operates an electric boat rental center	United States	100%
EB Rental Ventura Corp.	Operates an electric boat rental center	United States	100%
EB Rental FL Corp.	Operates an electric boat rental center	United States	100%
EBR Palm Beach Inc.	Operates an electric boat rental center	United States	100%
Vision Marine Technologies Corp.	Operates an electric boat service 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 currency of 7858078 Canada Inc. is the Canadian dollar, while the functional currency for EB Rental Ltd., EB Rental Ventura Corp., EB Rental FL Corp., EBR Palm Beach Inc. and Vision Marine Technologies Corp. is the U.S. dollar.

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

	<b>Exchange rate as at:</b>		<b>Average exchange rate for the six-month period ended</b>	
	<b>February 29, 2024</b>	<b>August 31, 2023</b>	<b>February 29, 2024</b>	<b>February 28, 2023</b>
US dollar	<b>1.3570</b>	<b>1.3535</b>	<b>1.3553</b>	<b>1.3484</b>

**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 2023 annual financial statements, except for the changes made to the underlying assumptions in determining the carrying amount of the goodwill associated with its boat rental operation cash-generating unit ("CGU"), which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes [note 9].



**Vision Marine Technologies Inc.****Notes to the condensed interim consolidated financial statements**

(Unaudited)

February 29, 2024

**Standards issued but yet not effective**

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

For the Company, the amendments are effective for fiscal year beginning on September 1, 2024 and must be applied retrospectively. This will result in reclassification of the Company's derivative liabilities from long-term to short-term liabilities [note 15].

**3. Trade and other receivables**

	As at February 29, 2024	As at August 31, 2023
	\$	\$
Trade receivables	40,732	59,364
Sales taxes receivable	184,308	159,114
R&D tax credit receivable	143,500	143,500
Other receivables	8,163	188,858
	<u>376,703</u>	<u>550,836</u>

Trade receivables 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 February 29, 2024, trade receivables of \$40,732 [August 31, 2023 – \$59,364] 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 February 29, 2024	As at August 31, 2023
	\$	\$
0 – 30	-	13,986
31 – 60	3,174	-
61 – 90	-	-
91 and over	37,558	45,378
	<u>40,732</u>	<u>59,364</u>

**Vision Marine Technologies Inc.****Notes to the condensed interim consolidated financial statements**

(Unaudited)

February 29, 2024

There were no movements in the allowance for expected credit losses for the three months ended February 29, 2024 and the year ended August 31, 2023.

**4. Inventories**

	As at February 29, 2024	As at August 31, 2023
	\$	\$
Raw materials	3,665,531	1,553,501
Work-in-process	259,498	369,753
Finished goods	856,736	522,300
	<u>4,781,765</u>	<u>2,445,554</u>

For the three-month and six-month periods ended February 29, 2024, inventories recognized as an expense amounted to \$508,528 and \$1,059,392 respectively [February 28, 2023 – \$781,871 and \$1,857,355 respectively].

For the three-month and six-month periods ended February 29, 2024, cost of sales includes depreciation of \$53,497 and \$126,126 respectively [February 28, 2023 – \$139,199 and \$314,125 respectively].

**5. Investment in Limestone**

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 bore interest at a rate of 10% per annum, payable annually in arrears, and had a 36-month term [the “Term”]. The Debentures were 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 could have notified 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 Investment in Limestone is carried at fair value through profit and loss and are considered as Level 3 financial instruments in the fair value hierarchy.

On January 20, 2023, Limestone announced that Limestone’s U.S. subsidiaries filed for voluntary petitions for relief under Chapter 7 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Middle District of Tennessee. As a result, the Company recorded an impairment on the entire value of the Debentures at the amount \$2,637,000 for the year ended August 31, 2023.

## Vision Marine Technologies Inc.

## Notes to the condensed interim consolidated financial statements

(Unaudited)

February 29, 2024

On July 18, 2023, the Company agreed to give Limestone the right to convert the Debentures into common shares of Limestone at a conversion price of \$0.071, which was approved by the shareholders of Limestone and is awaiting the issuance of the Company's shareholder certificate, following the exercise of the conversion right by Limestone. The Company maintained the fair value of its investment in Limestone at nil as at February 29, 2024 [August 31, 2023 – Nil].

For the three and six-month periods ended February 29, 2024, the Company recorded a loss on its investment in Limestone of nil [February 28, 2023 – \$2,637,000 and \$2,746,667, respectively] in net finance (income) expense [note 20].

## 6. Right-of-use assets

	Premises	Computer equipment	Rolling stock	Boat rental fleet	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
<b>Balance at August 31, 2022</b>	2,880,039	3,646	88,020	211,459	3,183,164
Additions	921,498	-	-	-	921,498
Disposals	-	-	(46,200)	(170,298)	(216,498)
Transferred to property and equipment	-	(3,646)	-	(41,161)	(44,807)
Currency translation	38,254	-	2,100	-	40,354
<b>Balance at August 31, 2023</b>	3,839,791	-	43,920	-	3,883,711
Additions	-	-	38,283	-	38,283
Currency translation	1,821	-	958	-	2,779
<b>Balance at February 29, 2024</b>	<b>3,841,612</b>	-	<b>83,161</b>	-	<b>3,924,773</b>
<b>Accumulated depreciation</b>					
<b>Balance at August 31, 2022</b>	822,407	2,878	20,315	76,464	922,064
Depreciation	615,937	768	23,934	21,442	662,081
Disposal	-	(3,646)	(13,475)	(97,906)	(115,027)
<b>Balance at August 31, 2023</b>	1,438,344	-	30,774	-	1,469,118
Depreciation	313,130	-	17,095	-	330,225
<b>Balance at February 29, 2024</b>	<b>1,751,474</b>	-	<b>47,869</b>	-	<b>1,799,343</b>
<b>Net carrying amount</b>					
As at August 31, 2023	2,401,447	-	13,146	-	2,414,593
<b>As at February 29, 2024</b>	<b>2,090,138</b>	-	<b>35,292</b>	-	<b>2,125,430</b>

## Vision Marine Technologies Inc.

## Notes to the condensed interim consolidated financial statements

(Unaudited)

February 29, 2024

## 7. Property and equipment

	Machinery and equipment \$	Rolling stock \$	Computer equipment \$	Moulds \$	Leasehold improvements \$	Boat rental fleet \$	Total \$
<b>Cost</b>							
<b>Balance at August 31, 2022</b>	333,084	118,664	21,032	911,924	264,356	971,477	2,620,537
Additions	62,409	69,029	565	30,501	97,699	678,599	938,802
Disposals	-	(136,072)	-	-	-	(499,770)	(635,842)
Transferred from Right-of-use assets	-	-	3,646	-	-	41,161	44,807
Currency translation	-	(2,347)	-	-	-	(70,115)	(72,462)
<b>Balance at August 31, 2023</b>	395,493	49,274	25,243	942,425	362,055	1,121,352	2,895,842
Additions	29,196	3,087	-	-	10,000	204,847	247,130
Disposals	-	(6,213)	-	-	-	-	(6,213)
Transferred to Inventories <sup>1</sup>	-	-	-	-	-	(153,341)	(153,341)
Currency translation	-	-	-	-	-	(9)	(9)
<b>Balance at February 29, 2024</b>	<b>424,689</b>	<b>46,148</b>	<b>25,243</b>	<b>942,425</b>	<b>372,055</b>	<b>1,172,849</b>	<b>2,983,409</b>
<b>Accumulated depreciation</b>							
<b>Balance at August 31, 2022</b>	197,804	29,999	12,803	73,028	44,505	43,416	401,555
Depreciation	31,495	25,875	4,485	37,696	69,332	72,163	241,046
Disposal	-	(21,864)	-	-	-	(38,821)	(60,685)
<b>Balance at August 31, 2023</b>	229,299	34,010	17,288	110,724	113,837	76,758	581,916
Depreciation	17,628	2,193	2,038	18,846	43,398	45,923	130,026
Disposals	-	(3,655)	-	-	-	-	(3,655)
Transferred to Inventories <sup>1</sup>	-	-	-	-	-	(21,177)	(21,177)
<b>Balance at February 29, 2024</b>	<b>246,927</b>	<b>32,548</b>	<b>19,326</b>	<b>129,570</b>	<b>157,235</b>	<b>101,504</b>	<b>687,110</b>
<b>Net carrying amount</b>							
As at August 31, 2023	166,194	15,264	7,955	831,701	248,218	1,044,594	2,313,926
As at February 29, 2024	<b>177,762</b>	<b>13,600</b>	<b>5,917</b>	<b>812,855</b>	<b>214,820</b>	<b>1,071,345</b>	<b>2,296,299</b>

<sup>1</sup>The Company sells routinely electric boats that are held for rental in the normal course of its operations. Such electric boats are transferred to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from these sales are recognized as revenues and presented in cash flow from operating activities, as well as the cash outflows to manufacture these boats.

## Vision Marine Technologies Inc.

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## 8. Intangible assets

	Intellectual property	Software	Trade name	Backlog	Website	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
Balance at August 31, 2022	1,035,070	101,775	98,294	79,550	18,858	1,333,547
Currency translation	-	-	6,057	4,556	1,211	11,824
Balance at August 31, 2023	1,035,070	101,775	104,351	84,106	20,069	1,345,371
Currency translation	-	-	(657)	(510)	(131)	(1,298)
Balance at February 29, 2024	1,035,070	101,775	103,694	83,596	19,938	1,344,073
<b>Accumulated depreciation</b>						
Balance at August 31, 2022	159,089	24,700	14,439	19,830	2,819	220,877
Depreciation	103,508	12,920	20,426	16,911	4,005	157,770
Balance at August 31, 2023	262,597	37,620	34,865	36,741	6,824	378,647
Depreciation	51,753	7,270	10,478	8,510	2,015	80,026
Balance at February 29, 2024	314,350	44,890	45,343	45,251	8,839	458,673
<b>Net carrying amount</b>						
As at August 31, 2023	772,473	64,155	69,486	47,365	13,245	966,724
As at February 29, 2024	720,720	56,885	58,351	38,345	11,099	885,400

## 9. Goodwill

Assets that have an indefinite life, such as goodwill, are tested annually by the Company for impairment, or more frequently if events or circumstances indicate there may be impairment. During the three-month period ended February 29, 2024, the Company noted certain events and circumstances which indicated that there may be an impairment of the goodwill associated with its boat rental operation CGU (see detailed description below).

As a result of these triggering events and circumstances, the Company performed an impairment analysis for the boat rental operation CGU as at February 29, 2024. As a result of this analysis, the Company determined that the carrying amount of the goodwill associated with the boat rental operation CGU exceeded its recoverable amount and, accordingly, the Company recorded a goodwill impairment loss of \$4,274,000 for the three-month period ended February 29, 2024. As a result of this loss, the carrying amount of the goodwill associated with this CGU has been reduced to \$5,431,975 [November 30, 2023 - \$9,714,558], with the remaining change in the balance due to foreign exchange translation.

The recoverable amount was determined based on the fair value less costs of disposal approach using a discounted cash flow model. The fair value measurement is categorized within Level 3 of the fair value hierarchy. The model included forecasted cash flows based on updated financial plans prepared by management covering a five-year period taking into consideration future investments and expansion activities that will enhance the performance of the assets of the CGU and the following key assumptions:

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- Expected earnings before interest, taxes, depreciation and amortization (“EBITDA”) as a percentage of revenues for the CGU of 12.7% for the remainder of 2024, 15.8% in 2025, 19.3% in 2026, 19.9% in 2027, 20.7% in 2028 and 21.5% in 2029 and thereafter.
- Expected working capital cash absorption ratio for the CGU of 20% of annual incremental sales increases.
- Expected annual capital expenditure needs for the CGU of US\$56,500 for the remainder of 2024, US\$126,000 in 2025, US\$346,800 in 2026, US\$594,259 in 2027, US\$229,820 in 2028, US\$234,310 in 2029 and US\$238,876 annually thereafter.

The discounted cash flow model was established using a post-tax discount rate of 28.0% based on the weighted average cost of capital calculated using observable market-based inputs or benchmark of a sample of representative publicly traded companies. The terminal growth rate of 2% used is based on published long-term growth rates.

Any reasonable negative change in these key assumptions could cause additional impairment of the CGU.

In prior periods, management had based its selection of assumptions upon its assessment of the ability of the CGU to maintain the levels of growth and profitability experienced during the COVID-19 pandemic, despite the unfavourable weather conditions experienced in its key markets over the course of the fiscal year ended August 31, 2023. However, continued unfavourable weather conditions and a recent general downturn in the boating industry have had a negative impact on the CGU’s revenues and EBITDA over the first six months of the current fiscal year. In addition, management’s attempts to sell all or a portion of the Company’s boat rental operation over the current quarter have been largely unsuccessful, indicating a possible decline in value of the CGU. Therefore, the impairment charge was the result of management’s revised assumptions related to revenues and the expected EBITDA as a percentage of sales taking into account the current economic environment.

**10. 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 February 29, 2024, the Company has drawn an amount of \$120,000 [August 31, 2023 - \$155,000] on the line of credit.

**11. Trade and other payables**

	As at February 29, 2024	As at August 31, 2023
	\$	\$
Trade payable	1,337,058	1,107,310
Sales taxes payable	41,965	62,398
Salaries and vacation payable	692,521	585,192
	<u>2,071,544</u>	<u>1,754,900</u>

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**12. Contract liabilities**

	As at February 29, 2024	As at August 31, 2023
	\$	\$
Opening balance	1,815,731	1,029,318
Payments received in advance	404,563	3,330,235
Boat sale deposits	-	151,572
Payments reimbursed	-	(8,131)
Transferred to revenues	(460,314)	(2,718,943)
Currency translation	2,652	31,680
Closing balance	<u>1,762,632</u>	<u>1,815,731</u>

**13. Lease liabilities**

	As at February 29, 2024	As at August 31, 2023
	\$	\$
Opening balance	2,641,794	2,415,549
Additions	38,283	921,498
Repayment	(340,880)	(726,893)
Interest on lease liability	70,243	139,132
Lease termination	-	(151,800)
Currency translation	3,222	44,308
Closing balance	<u>2,412,662</u>	<u>2,641,794</u>
Current	714,842	647,638
Non-current	1,697,820	1,994,156
	<u>2,412,662</u>	<u>2,641,794</u>

Future undiscounted lease payments as at February 29, 2024 are as follows:

	\$
Less than one year	<u>828,798</u>
One to five years	<u>1,781,836</u>
	<u>2,610,634</u>

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**14. Long-term debt**

	As at February 29, 2024 \$	As at August 31, 2023 \$
The government assistance loan is non-interest bearing until December 31, 2023 at which time the loan bears interest at 5% per annum. The loan must be repaid by December 31, 2025.	-	40,000
Commercial term loan bearing interest at 10.70% per annum payable in monthly installments of \$667 until December 2028.	39,333	-
Term loans, bearing interest at rates varying 9.44% and 13.87% per annum payable in monthly installments of \$13,026 ending December 2026.	349,577	265,329
	<b>388,910</b>	<b>305,329</b>
Current portion of long-term debt	165,948	271,546
	<b>222,962</b>	<b>33,783</b>

**15. Derivative liabilities****Warrants issued to common shareholders**

On January 19, 2023, as part of a share subscription, the Company issued warrants with the option to purchase 554,253 Voting Common Shares of the Company for a period of three years from the grant date at an original exercise price of U.S. \$4.21 (\$5.63).

On February 17, 2023, as part of a share subscription, the Company issued warrants with the option to purchase 475,059 Voting Common Shares of the Company for a period of three years from the grant date at an original exercise price of U.S. \$4.21 (\$5.67).

On April 19, 2023, as part of a share subscription, the Company issued warrants with the option to purchase 381,293 Voting Common Shares of the Company for a period of three years from the grant date at an original exercise price of U.S. \$4.21 (\$5.64).

On June 16, 2023, as part of a share subscription, the Company issued warrants with the option to purchase 493,828 Voting Common Shares of the Company for a period of three years from the grant date at an original exercise price of U.S. \$4.21 (\$5.35).

On August 2, 2023, as part of a share subscription, the Company issued warrants with the option to purchase 493,832 Voting Common Shares of the Company for a period of three years from the grant date at an original exercise price of U.S. \$4.21 (\$5.37).

On September 20, 2023, as part of a share subscription [note 17], the Company issued warrants with the option to purchase 372,870 Voting Common Shares of the Company for a period of three years from the grant date at an original exercise price of U.S. \$4.21 (\$5.44).



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On December 13, 2023, the Company agreed to reduce the exercise price of 2,771,135 of its previously issued warrants to US\$1.05 (\$1.43).

The table below lists the assumptions used to determine the fair value of these warrant grants or issuances. Volatility is based on the historical share price volatility of the Company and other public companies with characteristics similar to the Company.

<b>Issuance date</b>	<b>Original Exercise price</b> \$	<b>Market price</b> \$	<b>Expected volatility</b> %	<b>Risk-free interest rate</b> %	<b>Expected life</b> [years]
January 19, 2023	5.63	5.63	100	3.4	3
February 17, 2023	5.67	6.05	100	4.0	3
April 19, 2023	5.64	5.55	75	3.9	3
June 16, 2023	5.35	5.50	75	4.1	3
August 2, 2023	5.37	5.10	75	4.8	3
September 20, 2023	5.44	4.40	75	4.8	3

<b>Issuance date</b>	<b>Revised Exercise price</b> \$	<b>Number of warrants outstanding</b> #	<b>Weighted average remaining contractual life</b> [years]
January 19, 2023	1.43	554,253	1.89
February 17, 2023	1.43	475,059	1.97
April 19, 2023	1.43	381,293	2.14
June 16, 2023	1.43	493,828	2.30
August 2, 2023	1.43	493,832	2.42
September 20, 2023	1.43	372,870	2.56

As at February 29, 2024, the derivative liabilities related to the warrants issued to common shareholders amounted to \$1,105,128 [August 31, 2023 – \$5,558,822]. For the three-month and six-month periods ended February 29, 2024, the Company allocated transaction costs of \$149,472 related to the warrants issued to common shareholders during the period, which were recorded in net finance expense (income) [February 28, 2023 – \$437,897] [note 20].

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The table below summarizes the movement in the derivative liabilities related to the warrants issued to common shareholders during the six-month period ended February 29, 2024 and the fiscal year ended August 31, 2023:

	As at February 29, 2024 \$	As at August 31, 2023 \$
Opening balance	5,558,822	-
Additions	765,733	7,614,510
Effect on fair value of repricing of warrants	1,871,499	-
Change in estimate of fair value	(7,090,926)	(2,055,688)
Closing balance	1,105,128	5,558,822

For the three-month period ended February 29, 2024, the Company recorded a loss of \$191,741 related to the valuation of these instruments in net finance expense (income) [February 29, 2023 – gain of \$61,442] [note 20]. For the six-month period ended February 29, 2024, the Company recorded a gain of \$5,219,427 related to the valuation of these instruments in net finance expense (income) [February 28, 2023 – \$61,442] [note 20].

**Series A Convertible Preferred Shares**

On December 13, 2023, the Company authorized the issuance of Series A Convertible Preferred Shares. This class of shares ranks senior to the Voting Common Shares but retains no voting rights. They have a stated value of US\$1,000 per share and are convertible into Voting Common Shares of the Company at the election of the holder at any time at a price of US\$1.05 per share, exercise price subject to adjustment. The Series A Convertible Preferred Shares are convertible at the election of its holder into that number of Voting Common Shares determined by dividing its stated value (plus any and all other amounts which may be owing in connection therewith) by the exercise price, subject to certain beneficial ownership limitations which prohibit any holder from converting into an amount of Voting Common Shares that would cause such holder to beneficially own more than 4.99% of the then outstanding Voting Common Shares). On the one-year anniversary of the original issuance date, the Series A Convertible Preferred Shares will automatically convert into Voting Common Shares at the lesser of the then exercise price, and 80% of the average volume-weighted average price of the Company's Voting Common Shares during the five trading days ending on, and including, such date. In no event shall the conversion price for the Series A Convertible Preferred Shares be less than US\$0.30, subject to adjustment herein. The holder also receives 952 warrants to purchase Voting Common Shares per US\$1,000 stated value of the Series A Convertible Preferred Shares held that are exercisable for a period of 5 years from the issuance date at a price of US\$1.05 per share. In addition, the holder receives an option to purchase one additional Series A Convertible Preferred Share and 952 warrants to purchase Voting Common Shares per each Series A Convertible Preferred Share held for a period of 6 months from the issuance date at the stated value of US\$1,000.

On December 21, 2023, the Company issued 3,000 Series A Convertible Preferred Shares and 2,857,142 warrants to purchase Voting Common Shares for a total cash consideration of \$4,036,025 (US\$3,000,000). For the three-month and six-month periods ended February 29, 2024, the Company incurred transaction costs of \$615,306 related to this issuance, which were recorded in net finance expense (income) [February 28, 2023 – Nil] [note 20].

On February 8, 2024, 63 Series A Convertible Preferred Shares were converted into 60,000 Voting Common Shares at a value of \$42,886 [Note 17].

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On February 23, 2024, 76 Series A Convertible Preferred Shares were converted into 72,380 Voting Common Shares at a value of \$51,736 [Note 17].

Given the variability associated with the various components of this instrument, these instruments were recorded as derivative liabilities and will be subject to fair value adjustments at the issuance date and at subsequent balance sheet dates. The fair value was determined using the Monte Carlo simulation run under the Geometric Brownian Motion. Since the fair value is based on valuation using unobservable market inputs, the Company did not recognize the loss on initial recognition. The difference between the fair value at initial recognition and the transaction price was deferred and is recognized over time based on the individual terms of each financial instrument. This difference determined was due to delays in negotiations, the changes in the capital market and the Company's liquidity situation.

The table below summarizes the movement in the derivative liabilities related to the Series A Convertible Preferred Shares including the related warrants and option to purchase additional Series A Convertible Preferred Shares and related warrants during the six-month period ended February 29, 2024 and the fiscal year ended August 31, 2023:

	As at February 29, 2024	As at August 31, 2023
	\$	\$
Opening balance	-	-
Fair value at issuance	11,996,301	-
Deferred loss at issuance	(7,960,276)	-
Revaluation at the end of the period	(3,224,782)	-
Amortization of the deferred loss during the period	1,824,824	-
Conversion to Voting Common Shares during the period [Note 17]	(94,622)	-
Closing balance	2,541,445	-

For the three-month and six-month periods ended February 29, 2024, the Company recorded a gain of \$1,399,958 related to the valuation of these instruments in net finance expense (income) [February 28, 2023 – nil] [note 20].

**Series B Convertible Preferred Shares**

On December 13, 2023, the Company authorized the issuance of Series B Convertible Preferred Shares. This class of shares ranks senior to the Voting Common Shares but retains no voting rights. They have a stated value of US\$1,000 per share and are convertible into Voting Common Shares of the Company at the election of the holder at any time at a price of US\$1.05 per share, exercise price subject to adjustment. The Series B Convertible Preferred Shares are convertible at the election of its holder into that number of Voting Common Shares determined by dividing its stated value (plus any and all other amounts which may be owing in connection therewith) by the exercise price, subject to certain beneficial ownership limitations which prohibit any holder from converting into an amount of Voting Common Shares that would cause such holder to beneficially own more than 4.99% of the then outstanding Voting Common Shares). On the one-year anniversary of the original issuance date, the Series B Convertible Preferred Shares will automatically convert into Voting Common Shares at the lesser of the then exercise price, and 80% of the average volume-weighted average price of the Company's Voting Common Shares during the five trading days ending on, and including, such date. In no event shall the conversion price for the Series B Convertible Preferred Shares be less than US\$0.30, subject to adjustment herein. The holder also receives 952 warrants to purchase Voting Common Shares per US\$1,000 stated value of the Series B Convertible Preferred Shares held that are exercisable for a period of 5 years from the issuance date at a price of US\$1.05 per share.

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On January 17, 2024, the Company issued 3,000 Series B Convertible Preferred Shares and 2,857,142 warrants to purchase Voting Common Shares for a total cash consideration of \$4,044,900 (US\$3,000,000). For the three-month and six-month periods ended February 29, 2024, the Company incurred transaction costs of \$839,195 related to this issuance, which were recorded in net finance expense (income) [February 28, 2023 – Nil] [note 20].

Given the variability associated with the various components of this instrument, these instruments were recorded as derivative liabilities and will be subject to fair value adjustments at the issuance date and at subsequent balance sheet dates. The fair value was determined using the Monte Carlo simulation run under the Geometric Brownian Motion. Since the fair value is based on valuation using unobservable market inputs, the Company did not recognize the loss on initial recognition. The difference between the fair value at initial recognition and the transaction price was deferred and is recognized over time based on the individual terms of each financial instrument. This difference determined was due to delays in negotiations, the changes in the capital market and the Company's liquidity situation.

The table below summarizes the movement in the derivative liabilities related to the Series B Convertible Preferred Shares including the related warrants during the six-month period ended February 29, 2024 and the fiscal year ended August 31, 2023:

	As at February 29, 2024	As at August 31, 2023
	\$	\$
Opening balance	-	-
Fair value at issuance	6,272,022	-
Deferred loss at issuance	(2,227,122)	-
Revaluation at the end of the period	80,202	-
Amortization of the deferred loss during the period	221,255	-
Closing balance	4,346,357	-

For the three-month and six-month periods ended February 29, 2024, the Company recorded a loss of \$301,457 related to the valuation of these instruments in net finance expense (income) [February 28, 2023 – nil] [note 20].

**16. 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.

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**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

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

Alexandre Mongeon

Patrick Bobby

Robert Ghetti

Immobilier R. Ghetti Inc.

Société de Placement Robert Ghetti Inc.

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

	Three-month period ended February 29, 2024 \$	Three-month period ended February 28, 2023 \$	Six-month period ended February 29, 2024	Six-month period ended February 28, 2023 \$
<b>Office salaries and benefits</b>				
Montana Strategies Inc.	-	4,213	-	23,733
<b>Research and Development</b>				
Mac Engineering, SASU	<b>788,870</b>	77,731	<b>1,580,776</b>	127,695

The Company leases its Boisbriand premises from California Electric Boat Company Inc. As at February 29, 2024, the right-of-use assets and lease liabilities related to those leases amount to \$1,182,284 and \$1,317,323 respectively [August 31, 2023 – \$1,270,955 and \$1,395,732, respectively] [notes 6 and 13].

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

	Three-month period ended February 29, 2024	Three-month period ended February 28, 2023	Six-month period ended February 29, 2024	Six-month period ended February 28, 2023
	\$	\$	\$	\$
Wages	494,216	527,509	996,231	1,149,372
Share-based payments – capital stock	50,038	-	116,626	-
Share-based payments – stock options	61,552	3,435	83,106	67,726
	<u>605,806</u>	<u>530,944</u>	<u>1,195,963</u>	<u>1,217,098</u>

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

	As at February 29, 2024	As at August 31, 2023
	\$	\$
<b>Share subscription receivable</b>		
9335-1427 Quebec Inc.	25,000	25,000
Alexandre Mongeon	14,200	14,200
	<u>39,200</u>	<u>39,200</u>
<b>Current advances to related party</b>		
Alexandre Mongeon	19,071	20,135
	As at February 29, 2024	As at August 31, 2023
	\$	\$
<b>Amounts due to related parties included in trade and other payable</b>		
Alexandre Mongeon	15,077	19,384
Patrick Bobby	10,770	13,847
Kulwant Sandher	6,731	8,654
Xavier Montagne	8,131	10,454
California Electric Boat Company Inc.	48,014	-
Mac Engineering, SASU	2,021	9,935
	<u>90,744</u>	<u>62,274</u>

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

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**17. Capital stock****Authorized**

Voting Common Shares – Series Founder, Series Investor 1, Series Investor 2, voting and participating

Non-Voting Common Shares, non-voting

Preferred Shares, without par value, non-cumulative annual dividend, redeemable at their issue price, non- participating, non-voting

**Issued**

	As at February 29, 2024	As at August 31, 2023
	\$	\$
12,098,221 Voting Common Shares [August 31, 2023 – 11,172,800]	<u>52,268,158</u>	<u>50,395,717</u>

During the three-month and six-month periods ended February 29, 2024, the Company issued a total of 316,522 and 420,171 Voting Common Shares, respectively, to third parties in exchange for marketing services provided to the Company.

During the six-month period ended February 29, 2024, the Company issued 372,870 Voting Common Shares and warrants to purchase Voting Common Shares, as part of the financing rounds for a total cash consideration price of \$1,781,194, net of transaction costs of \$246,298. During the six-month period ended February 29, 2024, the warrants issued are to purchase 372,870 Voting Common Shares of the Company for a period of three years from the issuance date at an exercise price at U.S. \$4.05 [note 15].

During the three-month and six-month periods ended February 29, 2024, the Company issued a total of 132,380 Voting Common Shares upon the conversion of 139 Series A Convertible Preferred Shares [note 15].

**18. 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 stock options at exercise prices varying between \$1.03 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.

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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-month and six-month periods ended February 29, 2024 amounts to \$72,019 and \$146,352 respectively [February 28, 2023 – \$110,288 and \$423,167 respectively]. The table below lists the assumptions used to determine the fair value of these option grants. Volatility is based on the historical share price volatility of the Company and other public companies with characteristics similar to the Company.

<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</b> [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
November 24, 2020	5.68	5.72	75	3.6	4
February 23, 2021	15.75	15.05	103	0.6	5
May 14, 2021	5.68	5.72	75	3.6	3
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
November 30, 2022	6.09	6.09	107	3.1	5
December 1, 2022	5.83	5.83	107	3.0	5
March 22, 2023	5.76	5.14	75	3.6	2
March 25, 2023	5.77	5.23	75	3.6	3
March 25, 2023	5.77	5.23	75	3.6	4
April 20, 2023	5.79	5.27	75	3.6	5
December 29, 2023	4.54	1.48	76	3.1	5
January 26, 2024	1.03	1.08	76	3.5	5

The following tables summarize information regarding the option grants outstanding as at February 29, 2024:

	<b>Number of options</b> #	<b>Weighted average exercise price</b> \$
Balance at August 31, 2022	1,706,418	9.45
Granted	88,500	5.80
Forfeited	(268,158)	9.65
Stock options modifications	(370,000)	5.78
Exercised	(57,219)	2.86
Balance at August 31, 2023	1,099,541	5.22
Granted	100,000	2.78
Forfeited	(14,409)	5.22
Balance at February 29, 2024	<b>1,185,132</b>	<b>5.02</b>



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Exercise price range	Number of options outstanding	Weighted average grant date fair value	Weighted average remaining contractual life	Exercisable options
\$	#	\$	[years]	#
1.03 - 3.70	495,132	2.29	1.62	450,287
4.54 - 5.83	625,000	2.74	4.06	545,874
6.09 - 8.85	30,000	6.26	7.08	26,667
16.29	35,000	9.33	6.75	35,000

## 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).

On August 5, 2022, the Company granted the underwriter the option to purchase 50,000 Voting Common Shares of the Company for a period of four years from the grant date at an exercise price of U.S. \$8.00 (\$10.30).

On December 21, 2023, the Company granted the underwriter the option to purchase 138,095 Voting Common Shares of the Company for a period of five years from the grant date at an exercise price of U.S. \$1.05 (\$1.41).

Grant date	Exercise price	Number of warrants outstanding	Weighted average remaining contractual life
	\$	#	[years]
November 23, 2020	16.53	151,800	1.73
August 5, 2022	10.30	50,000	1.43
December 21, 2023	1.41	138,095	4.81

The Company recognizes share-based payments expense for warrant 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-month and six-month periods ended February 29, 2024 amounts to \$175,236 [February 28, 2023 – nil]. The table below lists the assumptions used to determine the fair value of these warrant grants. Volatility is based on the historical share price volatility of the Company and other public companies with characteristics similar to the Company.

Grant date	Exercise price	Market price	Expected volatility	Risk-free interest rate	Expected life
	\$	\$	%	%	[years]
November 23, 2020	16.53	13.03	100	0.4	5
August 5, 2022	10.30	7.20	100	2.9	3
December 21, 2023	1.41	1.83	76	4.0	5

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## 19. Revenues

	Three-month period ended February 29, 2024	Three-month period ended February 28, 2023	Six-month period ended February 29, 2024	Six-month period ended February 28, 2023
	\$	\$	\$	\$
Sales of boats	170,614	193,956	258,707	351,241
Sales of parts and boat maintenance	5,414	84,020	35,911	174,856
Boat rental and boat club membership revenue	552,583	553,219	1,420,385	1,704,858
	<u>728,611</u>	<u>831,195</u>	<u>1,715,003</u>	<u>2,230,955</u>

Revenues from external customers for the three-month and six-month periods ended February 29, 2024 and February 28, 2023 were primarily from the U.S.

## 20. Net finance expense (income)

	Three-month period ended February 29, 2024	Three-month period ended February 28, 2023	Six-month period ended February 29, 2024	Six-month period ended February 28, 2023
	\$	\$	\$	\$
Interest and bank charges	78,927	70,795	143,490	127,135
Interest income	(21,254)	-	(48,300)	(311,667)
Loss on Debentures [note 5]	-	2,637,000	-	2,746,667
Transaction costs [note 15]	1,710,863	437,897	1,860,335	437,897
Gain on derivative liabilities [note 15]	(906,760)	(61,442)	(6,317,928)	(61,442)
	<u>861,776</u>	<u>3,084,250</u>	<u>(4,362,403)</u>	<u>2,938,590</u>

## 21. 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 3, the fair value of Debentures was 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 was based on actual trading data, difference in volatility since initial issuance of the instrument and similar instruments on the market, and credit spread, which was based on corporate bond yield spreads in the market and credit spread data for similar public companies. The model included a fair value adjustment based on an initial calibration exercise. During the three months ended February 28, 2023, the Company recorded an impairment loss on the Debentures based on the estimated recoverable amount of the financial asset *[note 5]*.

The fair value of the derivative liabilities related to the warrants issued to common shareholders is classified as Level 3 in the fair value hierarchy and is calculated using the Black-Scholes Option Pricing Model using the historical volatility of comparable companies as an estimate of future volatility, as well as the current market price of the Voting Common Shares. As at February 29, 2024, the Company used volatility of approximately 76% over the remaining contractual life in order to determine the fair value of the derivative liabilities. As at February 29, 2024, if the volatility used was increased by 10%, the impact would be an increase of \$121,000 to the derivative liabilities with a corresponding decrease in total comprehensive income. As at February 29, 2024, if the current market price of the Voting Common Shares increased by 10%, the impact would be an increase of \$199,000 to the derivative liabilities with a corresponding decrease in total comprehensive income *[note 15]*.

The fair value of the derivative liabilities related to the Series A and B Convertible Preferred Shares is classified as Level 3 in the fair value hierarchy and is calculated using the Monte Carlo simulation run under the Geometric Brownian Motion model. The significant input assumptions into the model for each valuation date include the starting share price, a 70% volatility applied to the Series A and Series B Convertible Preferred Shares as at the issuance date, a 75% volatility applied to the Series A and Series B Convertible Preferred Shares as at February 29, 2024, a 50% volatility applied to the warrants issued with the Series A and Series B Convertible Preferred Shares and a risk-free rate based on the U.S. treasury rates matching the duration of each component of the Series A and Series B Convertible Preferred Shares. As at February 29, 2024, if the volatility used was increased by 5%, the impact would be an increase of \$184,000 to the derivative liabilities with a corresponding decrease in total comprehensive income *[note 15]*.

**22. 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.

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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 boats – 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.

	<b>Three-month period ended February 29, 2024</b>			
	<b>Sale of electric boats</b>	<b>Rental of electric boats</b>	<b>Inter-segment eliminations</b>	<b>Total</b>
	\$	\$	\$	\$
Revenue from external customers	176,028	552,583	-	728,611
Revenue from other segments	206,859	5,059	(211,918)	-
<b>Segment revenues</b>	<b>382,887</b>	<b>557,642</b>	<b>(211,918)</b>	<b>728,611</b>
<b>Segment gross profit (loss)</b>	<b>(40,126)</b>	<b>267,422</b>	<b>(7,213)</b>	<b>220,083</b>
<b>Segment profit (loss) before tax</b>	<b>(3,868,221)<sup>1</sup></b>	<b>(4,573,228)<sup>2</sup></b>	<b>(5,869)</b>	<b>(8,447,318)</b>
Research and development	334,731	-	-	334,731
Office salaries and benefits	917,109	127,663	-	1,044,772

	<b>Three-month period ended February 28, 2023</b>			
	<b>Sale of electric boats</b>	<b>Rental of electric boats</b>	<b>Inter-segment eliminations</b>	<b>Total</b>
	\$	\$	\$	\$
Revenue from external customers	277,975	553,220	-	831,195
Revenue from other segments	258,000	150,109	(408,109)	-
<b>Segment revenues</b>	<b>535,975</b>	<b>703,329</b>	<b>(408,109)</b>	<b>831,195</b>
<b>Segment gross profit (loss)</b>	<b>(134,780)</b>	<b>328,574</b>	<b>(144,470)</b>	<b>49,324</b>
<b>Segment profit (loss) before tax</b>	<b>(6,377,246)</b>	<b>(291,237)</b>	<b>(49,932)</b>	<b>(6,718,415)</b>
Research and development	736,899	-	(103,342)	633,557
Office salaries and benefits	719,958	265,495	-	985,453

<sup>1</sup> For the three-month period ended February 29, 2024, the segment profit for this segment includes a gain on derivative liabilities of \$906,760 and transaction costs of \$1,710,863 [see note 15].

<sup>2</sup> For the three-month period ended February 29, 2024, the segment profit for this segment includes a goodwill impairment loss of \$4,274,000 [see note 9].

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	Six-month period ended February 29, 2024			
	Sale of electric boats \$	Rental of electric boats \$	Inter-segment eliminations \$	Total \$
Revenue from external customers	294,618	1,420,385	-	1,715,003
Revenue from other segments	225,753	11,967	(237,720)	-
<b>Segment revenues</b>	<b>520,371</b>	<b>1,432,352</b>	<b>(237,720)</b>	<b>1,715,003</b>
<b>Segment gross profit (loss)</b>	<b>(68,869)</b>	<b>738,600</b>	<b>(14,120)</b>	<b>655,611</b>
<b>Segment profit (loss) before tax</b>	<b>(2,741,581)<sup>3</sup></b>	<b>(4,738,734)<sup>4</sup></b>	<b>1,267</b>	<b>(7,479,048)</b>
Research and development	1,319,237	-	-	1,319,237
Office salaries and benefits	1,598,103	307,123	-	1,905,226

	Six-month period ended February 28, 2023			
	Sale of electric boats \$	Rental of electric boats \$	Inter-segment eliminations \$	Total \$
Revenue from external customers	526,097	1,704,858	-	2,230,955
Revenue from other segments	479,915	277,220	(757,135)	-
<b>Segment revenues</b>	<b>1,006,012</b>	<b>1,982,078</b>	<b>(757,135)</b>	<b>2,230,955</b>
<b>Segment gross profit (loss)</b>	<b>(578,459)</b>	<b>980,100</b>	<b>(248,041)</b>	<b>153,600</b>
<b>Segment profit (loss) before tax</b>	<b>(13,270,298)</b>	<b>(126,053)</b>	<b>(98,506)</b>	<b>(13,494,857)</b>
Research and development	4,506,002	-	(185,248)	4,320,754
Office salaries and benefits	1,350,575	474,610	-	1,825,185

	As at February 29, 2024			
	Sale of electric boats \$	Rental of electric boats \$	Inter-segment eliminations \$	Total \$
<b>Segment assets</b>	<b>22,306,514</b>	<b>9,354,635</b>	<b>(10,327,657)</b>	<b>21,333,492</b>
Cash	1,129,578	55,505	-	1,185,083
Additions to property and equipment	42,283	207,000	(2,153)	247,130
<b>Segment liabilities</b>	<b>12,664,094</b>	<b>3,719,232</b>	<b>(1,447,361)</b>	<b>14,935,965</b>

<sup>3</sup> For the six-month period ended February 29, 2024, the segment profit for this segment includes a gain on derivative liabilities \$6,317,928 and transaction costs of \$1,860,335, respectively [see note 15].

<sup>4</sup> For the six-month period ended February 29, 2024, the segment profit for this segment includes a goodwill impairment loss of \$4,274,000 [see note 9].

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	As at August 31, 2023			Total \$
	Sale of electric boats \$	Rental of electric boats \$	Inter-segment eliminations \$	
<b>Segment assets</b>	20,344,002	13,941,898	(10,239,388)	24,046,512
Cash	3,025,565	333,692	-	3,359,257
Additions to property and equipment	194,820	974,533	(185,744)	983,609
<b>Segment liabilities</b>	10,154,031	3,341,868	(1,013,824)	12,482,075

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

## 23. Additional cash flows information

Financing and investing activities not involving cash:

	Six-month period ended February 29, 2024 \$	Six-month period ended February 28, 2023 \$
Additions to right-of-use assets	38,283	307,525
Lease termination	-	112,707

## 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:

	\$
2024	10,824,529

In October 2021, EB Rental Ltd. has entered into lease arrangement for premises, which has not commenced yet and therefore related right-of-use asset and lease liability are not recorded as at February 29, 2024. 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.

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The Company's undiscounted lease commitments related to this lease are as follows as at February 29, 2024:

	\$
2024	67,850
2025	164,197
2026	167,481
2027 and thereafter	447,891

**25. Subsequent events**

During the months of March and April 2024, the Company issued a total of 64,303 Voting Common Shares to third parties in exchange of services provided to the Company.

On April 3, 2024, the Company signed a letter of intent with EB Strategies Inc. for the sale of 100% of the share capital of EB Rental, Ltd. for US\$1 million on a cash-free debt-free basis. The transaction is expected to close within three weeks from the date of the letter of intent. EB Strategies Inc. is a related party whose controlling shareholder is a member of management of the Company's boat rental operation. The Company will continue to own and operate its boat rental operations in Ventura, California and Palm Beach, Florida as this transaction is for the sale of its boat rental operation in Newport Beach, California only.