Vision Marine Technologies Inc.

Consolidated financial statements
August 31, 2021 and 2020

Report of independent registered public accounting firm

To the Shareholders and the Board of Directors of
Vision Marine Technologies Inc.

Opinion on the financial statements

We have audited the accompanying consolidated statement of financial position of **Vision Marine Technologies Inc.** [the “Company”] as of August 31, 2021, the related consolidated statements of comprehensive income (loss), changes in shareholders’ equity and cash flows for the year ended August 31, 2021, and the related notes collectively referred to as the “consolidated financial statements”. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2021, and the results of its operations and its cash flows for the year ended August 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Ernst & Young LLP

We have served as the Company’s auditor since 2021.

Montréal, Canada
December 1, 2021

Vision Marine Technologies Inc.

Consolidated statement of financial position

As at August 31,

	2021	2020
	$	$
Assets		
Current		
Cash	**18,147,821**	1,296,756
Cash held in trust	**—**	65
Trade and other receivables *[note 6]*	**319,740**	79,027
Inventories *[note 7]*	**1,976,084**	491,527
Prepaid expenses	**544,843**	170,979
Grants and investment tax credits receivable	**108,302**	402,239
Share subscription receivable *[note 17]*	**39,200**	—
Advances to related parties *[note 17]*	**185,407**	—
Total current assets	**21,321,397**	2,440,593
Debentures *[note 8]*	**2,850,000**	—
Right-of-use assets *[note 9]*	**2,905,199**	652,967
Property and equipment *[note 10]*	**1,414,509**	538,065
Intangibles *[note 11]*	**1,225,722**	—
Deferred income taxes *[note 21]*	**17,547**	—
Goodwill *[note 5]*	**9,033,638**	—
Other financial assets	**33,280**	—
Total assets	**38,801,292**	3,631,625
Liabilities and shareholders' equity (deficit)		
Current		
Bank indebtedness *[note 12]*	**—**	170,000
Trade and other payables *[notes 13 & 17]*	**848,054**	639,837
Income tax payable	**138,308**	**—**
Contract liabilities *[note 14]*	**898,713**	20,443
Advances from related parties *[note 17]*	**—**	898,489
Current portion of lease liabilities *[note 15]*	**562,136**	120,815
Current portion of long-term debt *[note 16]*	**10,179**	57,249
Other financial liabilities	**237,444**	—
Total current liabilities	**2,694,834**	1,906,833
Lease liabilities *[note 15]*	**2,404,680**	552,173
Long-term debt *[note 16]*	**53,936**	354,488
Deferred income taxes *[note 21]*	**122,655**	26,216
Total liabilities	**5,276,105**	2,839,710
Shareholders' equity		
Capital stock *[note 18]*	**42,834,982**	2,497,813
Contributed surplus *[note 19]*	**7,861,405**	739,961
Accumulated other comprehensive income	**388,566**	—
Deficit	**(17,559,766)**	(2,445,859)
Total shareholders' equity	**33,525,187**	791,915
	38,801,292	3,631,625

See accompanying notes

Vision Marine Technologies Inc.

Consolidated statement of changes in equity (deficit)

Year ended August 31,

	Capital stock		Capital stock to be issued	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	Units	$	$	$	$	$	$
Shareholders' deficit as at August 31, 2018	3,743,491	600	—	—	(403,393)	—	(402,793)
Total comprehensive income	—	—	—	—	233,066	—	233,066
Repurchase of capital stock	(467,936)	(75)	—	—	—	—	(75)
Subscriptions to capital stock received in advance of issuance	—	—	37,500	—	—	—	37,500
Shareholders' deficit as at August 31, 2019	3,275,555	525	37,500	—	(170,327)	—	(132,302)
Total comprehensive loss	—	—	—	—	(2,275,532)	—	(2,275,532)
Share issuance, net of transactions costs of $320,230	1,309,446	2,497,288	(37,500)	—	—	—	2,459,788
Share-based compensation	—	—	—	739,961	—	—	739,961
Shareholders' equity as at August 31, 2020	4,585,001	2,497,813	—	739,961	(2,445,859)	—	791,915
Total comprehensive loss	**—**	**—**	**—**	**—**	**(15,113,907)**	**388,566**	**(14,725,341)**
Share issuance, net of transactions costs of nil *[note 18]*	**595,715**	**2,231,999**	**—**	**—**	**—**	**—**	**2,231,999**
Initial Public Offering, net of transactions costs of $3,328,687 *[note 18]*	**2,760,000**	**33,158,513**	**—**	**—**	**—**	**—**	**33,158,513**
Conversion of related party loans into shares *[notes 17 & 18]*	**69,650**	**898,489**	**—**	**—**	**—**	**—**	**898,489**
Shares issued as consideration for the acquisition of intangible assets *[notes 11 & 18]*	**30,000**	**573,936**	**—**	**—**	**—**	**—**	**573,936**
Shares issued as consideration in a business combination *[notes 5 & 18]*	**284,495**	**3,474,232**	**—**	**—**	**—**	**—**	**3,474,232**
Share-based compensation *[note 19]*	**—**	**—**	**—**	**7,121,444**	**—**	**—**	**7,121,444**
Shareholders' equity as at August 31, 2021	**8,324,861**	**42,834,982**	**—**	**7,861,405**	**(17,559,766)**	**388,566**	**33,525,187**

See accompanying notes

Vision Marine Technologies Inc.

Consolidated statement of comprehensive income (loss)

Year ended August 31,

	2021	**2020**	**2019**
	$	$	$
Revenues *[note 20]*	**3,513,788**	2,417,173	2,869,377
Cost of sales *[note 7]*	**1,909,606**	1,812,783	1,584,013
Gross profit	**1,604,182**	604,390	1,285,364
Expenses			
Research and development	**1,489,953**	—	—
Office salaries and benefits	**1,754,613**	315,138	372,961
Rent	**37,171**	39,500	204,596
Share-based compensation *[note 19]*	**7,121,444**	1,312,071	—
Professional fees	**1,633,477**	671,788	111,653
Travel and entertainment	**158,549**	41,382	30,199
Advertising and promotion	**927,508**	238,389	157,276
Office and general	**1,130,296**	114,508	69,737
Impairment of trade and other receivables (reversal) *[note 6]*	**—**	(458)	3,729
Interest and bank charges	**35,419**	37,092	18,788
Interest on long-term debt and leases	**87,681**	70,013	15,669
Foreign exchange loss	**1,583,292**	1,295	1,790
Loss on debentures *[note 8]*	**550,000**	—	—
Other income	**(153,749)**	(10,000)	—
Other expenses	**71,990**	—	—
Depreciation	**184,855**	27,895	1,513
	16,612,499	2,858,613	987,911
Income (loss) before tax	**(15,008,317)**	(2,254,223)	297,453
Income taxes			
Current tax expense *[note 21]*	**131,403**	—	38,586
Deferred tax expense (recovery) *[note 21]*	**(25,813)**	21,309	25,801
	105,590	21,309	64,387
Net income (loss) for the year	**(15,113,907)**	(2,275,532)	233,066
Items of comprehensive income that will be subsequently reclassified to earnings:			
Foreign currency translation differences for foreign operations, net of tax	**388,566**	—	—
Other comprehensive income, net of tax	**388,566**	**—**	**—**
Total comprehensive income (loss) for the year, net of tax	**(14,725,341)**	(2,275,532)	233,066
Weighted average shares outstanding	**7,412,899**	4,179,017	3,730,611
Basic and diluted earnings (loss) per share	**(2.04)**	(0.56)	0.06

See accompanying notes

Vision Marine Technologies Inc.

Consolidated statement of cash flows

Year ended August 31,

	2021	2020	2019
	$	$	$
Operating activities			
Net income (loss)	**(15,113,907)**	(2,275,532)	233,066
Depreciation	**417,050**	170,182	35,109
Accretion on long-term debt and lease liability	**70,379**	5,905	5,143
Share-based compensation – capital stock	**—**	572,110	—
Share-based compensation – options	**7,121,444**	739,961	—
Shares issued for services	**109,069**	26,533	—
Loss on debentures	**550,000**	—	—
Government grant	**—**	(3,666)	—
Income tax expense	**105,590**	21,310	25,801
Income tax received	**13,415**	—	—
Non-cash lease	**—**	19,137	—
Gain on lease termination	**(7,230)**	—	—
Effect of exchange rate fluctuation	**(6,542)**	—	—
	(6,740,732)	(724,060)	299,119
Net change in non-cash working capital items			
Trade and other receivables	**(232,715)**	22,757	(42,536)
Inventories	**(1,471,693)**	327,284	112,895
Grants and investment tax credits receivable	**293,937**	(2,160)	118,881
Other financial assets	**(25,595)**	—	—
Prepaid expenses	**(552,196)**	(162,384)	(8,595)
Trade and other payables	**96,615**	263,534	(96,134)
Contract liabilities	**396,097**	(159,629)	(495,998)
Other financial liabilities	**(15,156)**	—	—
Cash used in operating activities	**(8,251,438)**	(434,658)	(112,368)
Investing activities			
Subscription to debentures *[note 8]*	**(3,400,000)**	—	—
Business acquisition, net of cash acquired *[note 5]*	**(5,029,416)**	—	—
Additions to property and equipment	**(544,354)**	(77,966)	(175,952)
Proceeds from the disposal of property and equipment	**34,101**	—	—
Additions to intangible assets	**(528,726)**	—	—
Repayment from (advances to) related parties	**—**	40,310	(1,600)
Term deposit	**—**	—	68,368
Cash used in investing activities	**(9,468,395)**	(37,656)	(109,184)

Vision Marine Technologies Inc.

Notes to the consolidated financial statements

August 31, 2021

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) *[note 18]*. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"] and interpretations issued by the International Financial Reporting Interpretations Committee ["IFRIC"] in effect on August 31, 2021.

The consolidated financial statements were authorized for issued by the Board of Directors on December 1, 2021.

Basis of measurement

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

Basis of consolidation

The 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%
Electric Boat Rental Ltd.	Operates an electric boat rental center	United States	100%

Use of estimates and judgments

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

3. Significant accounting policies

Business combination

Business combinations are accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is measured at fair value at the acquisition date, as are the identifiable net assets acquired. The Company assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Subsequent adjustments to the fair values of identifiable net assets acquired are adjusted against the consideration transferred when they qualify as measurement period adjustments. Transaction costs are expensed as incurred.

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Inventories

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

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

Grants and investment tax credits

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of consolidated comprehensive income (loss) or netted against the asset purchased.

During the year ended August 31, 2021, the Company recognized grants and investment tax credits amounting to $1,104,199 [2020 – $491,704; 2019 – $394,715], of which $896,964 is presented against research and development expenses [2020 – $445,776; 2019 – $394,715], $79,660 against cost of sales [2020 – Nil; 2019 – Nil] and $41,987 as a reduction of property and equipment and intangible asset. Office salaries and benefits and advertising and promotion are presented net of $85,588 [2020 – $45,928; 2019 – Nil] of grants.

Leases

Right-of-use assets

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

Lease liabilities

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

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value [i.e., below $5,000]. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. For the year-ended August 31, 2021, the expense for leases of low-value assets is insignificant.

Property and equipment

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

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

Asset type	Methods	Rates
Computer equipment	Declining balance method	55%
Machinery and equipment	Declining balance method	20%
Rolling stock	Declining balance method	30%
Leasehold improvements	Straight-line method	Over the term of the lease
Boat rental fleet	Straight-line method	15 years
Moulds	Straight-line method	25 years

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

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

Intangible assets and goodwill

Expenditure on research activities is recognized in net earnings as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in net earnings as incurred. The Company has not capitalized any development costs. When awarded with government grants and income tax credits, the Company recognizes the income either in net income (loss), netted with the related expenses, or as a reduction of the cost, when related with capitalized development expenditure.

Goodwill arising from business combinations is initially recognized when the fair value of the separately identifiable assets the Company acquired and liabilities the Company assumed is lower than the consideration paid [including the recognized amount of the non-controlling interest, if any]. If the fair value of the consideration transferred is lower than that of the separately identified assets and liabilities, the Company immediately recognize the difference as a gain in the consolidated statement of comprehensive income (loss).

Other intangible assets, including intellectual property, software, trade name, backlog and website that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated over the cost of the asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are as follows:

Asset type	Methods	Rates
Intellectual property	Straight-line method	10 years
Software	Straight-line method	7 years
Trade name	Straight-line method	5 years
Backlog	Straight-line method	3 years
Website	Straight-line method	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets

Non-financial assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, other than goodwill, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets [the "cash-generating unit", or "CGU"].

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. If the recoverable amount of an asset or CGU is lower than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income (loss).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised recoverable amount, to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income (loss).

Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill is allocated to each of the Company's CGU [or groups of CGUs] that is expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the goodwill allocated to the CGU and then, to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis. Any impairment loss is recognized in the consolidated statement of comprehensive income (loss). An impairment loss recognized for goodwill is not reversed in subsequent periods.

Trade and other payables

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

Provisions

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

Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Financial instruments

Classification and measurement of financial instruments

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

Amortized cost

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

Fair value through profit and loss

The Company classifies debentures as financial instruments measured at fair value through profit and loss since the contractual cash flows received from the financial asset are not solely payments of principal and interest.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has not been a significant increase in exposure to credit risk, a 12-month expected credit loss allowance is estimated. The amount of expected credit loss recognized is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. Impairment provisions for current and non-current trade receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses.

Equity instruments

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

The Company's shares are classified as equity instruments.

Revenue recognition

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

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

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

Sale of boats

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

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

Boat rental and boat club membership revenue

Revenue from boat rentals is recognized at a point in time when the services are completed. Boat club membership revenue is recognized over time as the service is provided. These services are typically provided, and thus revenue is typically recognized, on a monthly basis.

The Company recognizes customer prepayments on boat rentals and boat club memberships as contract liabilities.

Sale of parts and boat maintenance

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

Other

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

Contract liabilities

A contract liability is recognized if a payment is received, or a payment is due [whichever is earlier] from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract [i.e., transfers control of the related goods or services to the customer].

Share-based payments

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

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

Foreign currency translation

The Company's 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 Electric Boat Rental Ltd. are the Canadian dollar and the US dollar, respectively. The Company and its subsidiaries each determine their functional currency based on the currency of the primary economic environment in which they operate. Transactions denominated in a currency other than the functional currency of an entity are translated at the exchange rate in effect on the transaction date. The resulting exchange gains and losses are included in each entity's net income (loss) in the period in which they arise.

The Company's foreign operations are translated to the Company's presentation currency, for inclusion in the consolidated financial statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at exchange rates in effect at the transaction date. The resulting translation gains and losses are included in other comprehensive income (loss) with the cumulative gain or loss reported in accumulated other comprehensive income (loss). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

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

	Exchange rate as at		**Average exchange rate for**
	August 31, 2021	**June 3, 2021**	**90-day period ended August 31, 2021**
US dollar	**1.2630**	**1.2103**	**1.2460**

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in net income (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax

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

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Earnings per share

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

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

4. Significant accounting estimates and assumptions

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

Business acquisition fair value

The Company makes a number of estimates when determining the acquisition date fair values of consideration transferred, assets acquired, and liabilities assumed in a business acquisition. Fair values are estimated using valuation techniques based on discounted future cash flows. Future cash flows may be influenced by a number of assumptions such as forecasted revenues, royalty rate, selling prices, costs to operate, capital expenditures, growth rate and the discount rate.

On August 31, 2021, all of the Company's goodwill is allocated to the boat rental operation CGU, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. For the year ended August 31, 2021, there was no impairment of goodwill.

Financial instruments measured at fair value

In measuring financial instruments at fair value, the Company makes estimates and assumptions, including estimates and assumptions about interest rates, credit spreads and other market conditions.

Provision for impairment of inventories

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

Income tax

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business.

Share-based payments

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

Lease term

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

Incremental borrowing rate

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

5. Business combination

On June 3, 2021, the Company completed the acquisition of Electric Boat Rental Ltd. ["EBR"] by acquiring all the issued and outstanding shares of 7858078 Canada Inc. EBR operates an electric boat rental operation located in Newport beach, California, with a fleet of over 20 ships. All boats operated by EBR are supplied by the Company, which offers the Company the ability to showcase its products and provide brand awareness. Before the acquisition, the Company and EBR were related through common ownership.

EBR was acquired for cash consideration of U.S.$4,582,367 ($5,546,039), financed entirely by the Company's available cash on hand, and equity consideration of $3,474,232 representing 284,495 shares at U.S.$10.09 [approximately $12.21] per share *[note 18]*. Of the cash consideration, an amount of $189,196 remains unpaid as at August 31, 2021 and is included in trade and other payables *[note 13]*.

The acquisition gave rise to transaction costs of $13,170 which were expensed as incurred in the consolidated statements of comprehensive income (loss).

The investment was accounted for as a business combination and the results have been included in the consolidated statements of comprehensive income (loss) since the date of the acquisition. The revenues and net earnings included in the consolidated statements of comprehensive income (loss) are approximately $1,360,000 and $530,000 respectively for the 90-day period ended August 31, 2021.

The following table reflects the recognized amounts of assets acquired and liabilities assumed, on a fair value basis, at the acquisition date:

	June 3, 2021
	$
Fair value at acquisition	
Cash	**516,623**
Trade and other receivables	**7,998**
Income tax receivable	**9,963**
Inventories	**12,864**
Prepaids	**34,687**
Advances to related parties	**177,671**
Other financial assets	**7,685**
Right-of-use asset	**1,651,746**
Property and equipment	**417,554**
Intangible assets	**184,000**
Deferred tax asset	**18,467**
Goodwill	**8,656,700**
Trade and other payables	**(111,602)**
Income tax payable	**(1,952)**
Contract liabilities	**(482,173)**
Other financial liabilities	**(242,060)**
Long-term debt, including current portion	**(66,204)**
Lease liability, including current portion	**(1,651,746)**
Deferred tax liability	**(119,950)**
Net assets acquired	**(9,020,271)**

The Company measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the lease relative to market terms, if any.

The fair value of the intangible assets, which consist in trade name, backlog and website, was calculated using a discounted cash flow approach. The fair value of property and equipment was established using a market value approach.

The goodwill related to the acquisition of EBR arises from the benefits of increasing our strategic position by expanding our market presence, expected synergies and integrating an assembled workforce that does not qualify for separate recognition. The goodwill is not deductible for tax purposes. The balance of goodwill is at $9,033,638 at August 31, 2021 [2020 – Nil], with the change since acquisition date due to foreign exchange translation.

6. Trade and other receivables

	2021	2020
	$	$
Trade receivables	**27,388**	—
Sales taxes receivable	**166,749**	72,249
Other receivables	**125,603**	6,778
	319,740	79,027

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

As at August 31, 2021, trade receivables of $27,388 [2020 – Nil] were past due but not impaired. They relate to customers with no default history. The aging analysis of these receivables is as follows:

	2021	2020
	$	$
0 – 30	**—**	—
31 – 60	**2,008**	—
61 – 90	**25,380**	—
91 and over	**—**	—
	27,388	—

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

	2021	2020
	$	$
Opening balance	**—**	—
Recovery of bad debts	**—**	(458)
Reversal of trades and other receivables previously written-off	**—**	458
Closing balance	**—**	—

7. Inventories

	2021	2020
	$	$
Raw materials	**1,549,125**	422,784
Work-in-process	**327,757**	17,000
Finished goods	**99,202**	51,743
	1,976,084	491,527

For the year ended August 31, 2021, inventories recognized as an expense amounted to $1,909,606 [2020 – $1,812,783; 2019 – $1,584,013].

For the year ended August 31, 2021, cost of sales includes depreciation of $232,195 [2020 – $142,336; 2019 – $33,596].

8. 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 period ended August 31, 2021, the Company recorded a loss of $550,000 in net income (loss) for change in the fair value of the Debentures.

9. Right-of-use assets

	Premises $	Computer equipment $	Rolling stock $	Boat rental fleet $	Total $
Cost					
Balance at August 31, 2019	—	—	—	—	—
Impact of adoption of IFRS 16	737,066	11,333	12,271	—	760,670
Additions	—	—	26,428	—	26,428
Balance at August 31, 2020	737,066	11,333	38,699	—	787,098
Business acquisition *[note 5]*	**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**
Accumulated depreciation					
Balance at August 31, 2019	—	—	—	—	—
Impact of adoption of IFRS 16	—	453	—	—	453
Depreciation	117,806	3,778	12,094	—	133,678
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**
Net carrying amount					
As at August 31, 2020	619,260	7,102	26,605	—	652,967
As at August 31, 2021	**2,411,761**	**3,070**	**187,587**	**302,781**	**2,905,199**

During the period 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 11]*.

10. Property and equipment

	Machinery and equipment $	Rolling stock $	Computer equipment $	Moulds $	Leasehold improvements $	Boat rental fleet $	Total $
Cost							
Balance at August 31, 2019	187,850	25,675	16,764	472,529	—	—	702,818
Impact of adoption of IFRS 16	—	—	(11,333)	—	—	—	(11,333)
Additions	—	6,500	3,005	33,643	34,818	—	77,966
Balance at August 31, 2020	187,850	32,175	8,436	506,172	34,818	—	769,451
Business acquisition *[note 5]*	**—**	**—**	**—**	**—**	**—**	**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**	**495,260**	**1,667,258**
Accumulated depreciation							
Balance at August 31, 2019	138,233	17,230	3,192	36,680	—	—	195,335
Impact of adoption of IFRS 16	—	—	(453)	—	—	—	(453)
Depreciation	9,923	3,784	1,817	20,980	—	—	36,504
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**
Net carrying amount							
As at August 31, 2020	39,694	11,161	3,880	448,512	34,818	—	538,065
As at August 31, 2021	**135,334**	**7,813**	**6,249**	**640,585**	**119,654**	**486,817**	**1,414,509**

As at August 31, 2021, moulds of $125,833 are not depreciated because they are not ready for use.

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

11. Intangible assets

	Intellectual property $	Software $	Trade name $	Backlog $	Website $	Total $
Cost						
Balance at August 31, 2020	—	—	—	—	—	—
Business acquisition *[note 5]*	**—**	**—**	**90,000**	**76,000**	**18,000**	**184,000**
Transfer from Right-of-use assets *[note 9]*	**—**	**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**
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**
Net carrying amount						
As at August 31, 2020	—	—	—	—	—	—
As at August 31, 2021	**979,489**	**66,466**	**89,223**	**72,700**	**17,844**	**1,225,722**

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 *[note 18]* at a price of U.S.$15.07 [approximately $19.13] for total consideration of $1,035,070.

As at August 31, 2021, software of $42,677 are not depreciated because they are not ready for use.

12. Credit facility

The Company has an authorized line of credit of $250,000 and $100,000 letter of guarantee facility, renewable annually, bearing interest at prime rate plus 1%, secured by a first ranking movable hypothec of $750,000 on all present and future accounts receivable and inventory. As at August 31, 2021, the Company has drawn an amount of Nil [2020 – $170,000] on the line of credit.

Notes to the consolidated financial statements

August 31, 2021

13. Trade and other payables

	2021 $	2020 $
Trade payable	**560,870**	590,495
Sales taxes payable	**34,076**	—
Government remittances	**46,030**	7,706
Salaries and vacation payable	**207,078**	41,636
	848,054	639,837

14. Contract liabilities

	2021 $	2020 $
Opening balance	**20,443**	180,072
Business acquisition	**482,173**	—
Payments received in advance	**1,199,958**	516,820
Payments reimbursed	**(37,842)**	—
Transferred to revenues	**(766,019)**	(676,449)
Closing balance	**898,713**	20,443

15. Lease liabilities

	2021 $	2020 $
Opening balance	**672,988**	—
Impact of adoption of IFRS 16	**—**	757,553
Business acquisition *[note 5]*	**1,651,746**	—
Additions	**852,467**	26,424
Repayment	**(295,316)**	(130,130)
Negative variable lease payments	**—**	(26,003)
Interest on lease liability	**65,115**	45,144
Lease termination	**(37,033)**	—
Currency translation	**56,849**	—
Closing balance	**2,966,816**	672,988
Current	**562,136**	120,815
Non-current	**2,404,680**	552,173
	2,966,816	267,988

Future undiscounted lease payments as at August 31, 2021 are as follows:

	$
Less than one year	**702,135**
One to five years	**2,496,870**
Over five years	**154,703**
	3,353,708

Included in rent expense is $50,186 of short-term lease expense [2020 – $65,934]. The lease liabilities have a weighted average interest rate of 5.2% [2020 – 5.4%].

16. Long-term debt

	2021 $	**2020** $
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.	**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**	—
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 was fully repaid during the period ended August 31, 2021.	**—**	26,859
Loan from Canada Economic Development for Quebec Regions, non-interest bearing, repayable in monthly instalments of $1,667 starting July 2018. The loan was fully repaid during the period ended August 31, 2021.	**—**	52,385
Term loan, bearing interest at 6.24%, repayable in monthly instalments of $630, including principal and interest. The loan was fully repaid during the period ended August 31, 2021.	**—**	82,493
Term loan, bearing interest at prime plus 3.46%, repayable in monthly principal payments of $4,165. The loan was fully repaid during the period ended August 31, 2021.	**—**	250,000
	64,115	411,737
Current portion of long-term debt	**10,179**	57,249
	53,936	354,488

Notes to the consolidated financial statements

17. Related party transactions

Companies related through common ownership

Electric Boat Rental Ltd. [prior to June 3, 2021] *[note 5]*
7858078 Canada Inc. [prior to June 3, 2021] *[note 5]*

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.

Founder shareholders

Gestion Toyma Inc.
Entreprises Claude Beaulac Inc. [former shareholder]
Gestion Moka Inc. [former shareholder]

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

	2021 $	2020 $	2019 $
Revenues			
Sales of boats			
Electric Boat Rental Ltd. [prior to June 3, 2021]	**84,149**	101,684	429,132
Patrick Bobby	**—**	11,000	—
Sale of parts and boat maintenance			
Electric Boat Rental Ltd. [prior to June 3, 2021]	**40,310**	79,696	26,399
Other			
Electric Boat Rental Ltd. [prior to June 3, 2021]	**—**	2,500	—
7858078 Canada Inc. [prior to June 3, 2021]	**—**	6,074	5,000
Expenses			
Cost of sales			
Electric Boat Rental Ltd. [prior to June 3, 2021]	**11,444**	16,865	—
Research and Development			
9335-1427 Quebec Inc.	**75,020**	—	—
Mac Engineering, SASU	**176,500**	—	—
Travel and entertainment			
Electric Boat Rental Ltd. [prior to June 3, 2021]	**8,926**	—	—
Advertising and promotion			
Electric Boat Rental Ltd. [prior to June 3, 2021]	**11,245**	—	—
Rent expense			
California Electric Boat Company Inc.	**—**	—	143,376
Electric Boat Rental Ltd. [prior to June 3, 2021]	**—**	65,934	—

The Company leases its Boisbriand premises from California Electric Boat Company Inc. with a right-of-use assets of $1,132,556 and lease liability of $1,177,867 as at August 31, 2021 *[notes 9 and 15].*

Remuneration of directors and key management of the Company

	2021 $	2020 $	2019 $
Wages	**1,299,402**	308,868	207,751
Share-based payments – capital stock	**—**	572,110	—
Share-based payments – stock options	**6,081,900**	259,410	—
	7,381,302	1,140,388	207,751

At the end of the year, the amounts due to and from related parties are as follows:

	2021 $	2020 $
Share subscription receivable		
9335-1427 Quebec Inc.	**25,000**	—
Alexandre Mongeon	**14,200**	—
	39,200	—
Current advances to related party		
Alexandre Mongeon	**185,407**	—
Amounts due to related parties included in trade and other payable		
Alexandre Mongeon	**74,157**	3,005
Patrick Bobby	**11,092**	2,414
Kulwant Sandher	**7,054**	—
Mac Engineering, SASU	**29,957**	—
	122,260	5,419
Current advances from related parties		
9335-1427 Quebec Inc.	**—**	104,931
Alexandre Mongeon	**—**	141,972
Patrick Bobby	**—**	139,473
Robert Ghetti	**—**	64,750
Immobilier R. Ghetti Inc.	**—**	16,487
Société de Placement Robert Ghetti Inc.	**—**	279,376
Gestion Toyma Inc.	**—**	151,500
Entreprises Claude Beaulac Inc. [former shareholder]	**—**	—
	—	898,489

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

In December 2020, the holders of the advances from related parties and the Company have agreed that the advances shall automatically convert into Voting Common Shares of the Company at a conversion price equal to the per Voting Common Share offering price in the Initial Public Offering *[note 18].*

18. Capital stock

Authorized

Voting Common Shares, voting and participating

Issued

	2021	2020
	$	$
8,324,861 voting common shares [2020 – 4,585,001]	**42,834,982**	2,497,813

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

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

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

Subscription and issuance of Voting Common Shares

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

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

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

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

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

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

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

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

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

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

On September 2, 2020, the Board of Directors authorized the issuance of 547,297 Voting Common shares, for a total consideration of $2,025,000.

On September 18, 2020, the Board of Directors authorized the issuance of 45,351 Voting Common Shares, for services provided to the Company. The services were valued at $167,799 of which $58,730 is in connection with transaction costs directly attributable to the issuance of Voting Common Shares and $109,069 is included in professional fees.

On November 27, 2020, the Company completed its initial public offering [the "Offering"] of an aggregate of 2,760,000 common shares of the Company at a price of U.S.$10.00 ($13.22) per share for proceeds of U.S.$25,287,624 ($33,430,239) net of a U.S.$1,932,000 ($2,554,104) cash commission paid to the underwriter and professional fees in connection with the Offering amounting to U.S.$380,376 ($502,857). Netted against the proceeds from the Offering are also included professional fees amounting to $271,726 that were previously recorded in prepaids.

On December 22, 2020, the Board of Directors authorized the issuance of 69,650 Voting Common Shares, being the conversion of the advances from related parties of $898,489 *[note 14]*.

On the same day, the Board of Directors authorized the issuance of 3,067 Voting Common Shares for a total consideration of $39,200 which remains receivable on May 31, 2021 and is presented in the advances to related parties *[note 13]*.

On February 16, 2021, the Company issued 30,000 Voting Common Shares at a price of U.S. $15.07 [approximately $19.13] as part of the consideration paid for the acquisition of intellectual property *[note 11]*.

On June 3, 2021, the Company issued 284,495 Voting Common Shares at a price of U.S. $10.09 [approximately $12.21] as part of the consideration paid in a business acquisition *[note 5].*

19. 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 1,664,526 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 year ended August 31, 2021 amounts to $7,121,444 [2020 – $1,312,071; 2019 - Nil]]. 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.

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

The following tables summarize information regarding the option grants outstanding as at August 31, 2021:

	Number of options #	**Weighted average exercise price** $
Balance at August 31, 2019	—	—
Granted	516,216	3.41
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**

Exercise price	Number of options outstanding	Weighted average grant date fair value	Weighted average remaining contractual life	Exercisable options
$	#	$	[years]	
3.70	348,649	2.42	3.75	312,416
2.78	162,162	2.59	3.75	162,162
3.70	10,810	2.69	4.00	6,756
16.29	440,000	9.33	9.25	330,000
15.75	190,000	11.28	4.50	—
8.98	500,000	6.91	4.75	125,000
9.25	7,500	6.85	10.00	7,500

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	4.25

20. Revenues

	2021	2020	2019
	$	$	$
Sales of boats	**2,080,110**	2,249,107	2,664,001
Sales of parts and boat maintenance	**75,205**	167,263	171,217
Boat rental and boat club membership revenue	**1,355,548**	—	—
Other	**2,925**	803	34,159
	3,513,788	2,417,173	2,869,377

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

			2021	2020	2019
	Sale of electric boats	Rental of electric boats	Total	Total	Total
	$	$	$	$	$
Canada	**571,216**	**—**	**571,216**	827,057	1,003,365
USA	**1,329,575**	**1,363,024**	**2,692,599**	1,407,063	601,471
Other	**249,973**	**—**	**249,973**	183,053	1,264,541
	2,150,764	**1,363,024**	**3,513,788**	2,417,173	2,869,377

21. Income taxes

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

	2021 $	2020 $	2019 $
Income taxes at the applicable tax rate of 26.5% [2020 – 15%; 2019 – 15%]	**(3,977,204)**	(338,133)	44,618
Change in tax status following the initial public offering	**(127,979)**	—	—
Adjustment in respect of current and deferred income tax of previous year	**(207,601)**		
Permanent differences	**2,100,615**	198,475	(6,032)
Temporary difference	**—**	160,967	25,801
Change in recognition of deferred income tax assets	**2,317,759**	—	—
Total income tax expense	**105,590**	21,309	64,387

On November 27, 2020, the Company conducted an initial public offering *[note 18]* after which its tax status changed and is no longer a Canadian-controlled private corporation. As a result of this change of status, the combined statutory rate in Canada increased from 15% to 26.5%.

Deferred income taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The main components of the deferred tax expense and deferred tax assets and liabilities were as follows:

	Balance as at August 31, 2020 $	**Recognized in net income (loss)** $	**Recognized in equity** $	**Business combination** $	**Balance as at August 31, 2021** $
Temporary differences					
Property and equipment	(146,153)	5,678	(5,472)	(116,831)	**(262,778)**
Intangibles	—	3,142	111	(46,140)	**(42,887)**
Net operating losses	74,760	1,980,029	—	—	**2,054,789**
Financing fees	(51,784)	110,630	882,102	—	**940,948**
Research and development	96,961	77,923	—	—	**174,884**
Difference in timing of recognition	—	93,141	2,089	53,620	**148,850**
Right-of-use asset	—	(316,684)	(16,017)	(457,267)	**(789,968)**
Lease liability	—	332,489	16,068	465,134	**813,691**
Net capital losses	—	57,224	—	—	**57,224**
Valuation allowance	—	(2,317,759)	(882,102)	—	**(3,199,861)**
Deferred tax liability	(26,216)	25,813	(3,221)	(101,484)	**(105,108)**

As of August 31, 2021, the Company had net operating losses carried forward for income tax purposes of $8,143,000 [2020 - $841,000] available to reduce future taxable income, that will expire between 2040 and 2041.

22. Capital disclosures

The Company's objectives in managing capital are:

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

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

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

The Company does not have any externally imposed capital compliance requirements at August 31, 2021.

23. Financial risk management and fair value measurement

Fair value measurement and hierarchy

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

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

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

The carrying amount of trade and other receivables, advances to/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 had the key assumptions varied as indicated:

	Volatility		**Credit spread**	
	+5%	**-5%**	**+2%**	**-2%**
	$	$	$	$
Fair value of debentures	2,930,000	2,790,000	2,780,000	2,925,000

Financial risk management

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

[a] Credit risk

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

Credit risk related with the debentures is reflected in the fair value of the instrument. Interest receivable on the debentures is included in trade and other receivables.

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

[b] Liquidity risk

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

	Contractual cash flows $	Less than one year $	1-5 years $	Greater than 5 years $
August 31, 2021				
Trade and other payables	**848,054**	**848,054**	**—**	**—**
Other financial liabilities	**237,444**	**237,444**	**—**	**—**
Long-term debt	**64,115**	**10,179**	**53,936**	**—**
	1,149,613	**1,095,677**	**53,396**	**—**
August 31, 2020				
Bank indebtedness	170,000	170,000	—	—
Trade and other payables	639,837	639,837	—	—
Long-term debt	411,737	57,249	281,704	72,784
	1,221,574	867,086	281,704	72,784

[c] Interest rate risk

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

[d] Foreign exchange risk

Foreign exchange risk is the risk that future cash flows or fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Company and its subsidiaries.

The Company has certain financial assets and liabilities denominated in United States dollars. The Canadian dollar equivalent carrying amounts of these assets and liabilities are as follows:

	2021 $	2020 $
Cash	**11,219,143**	88,952
Trade and other payables	**294,637**	42,201

Sensitivity

A reasonably possible 1% strengthening (weakening) of the U.S. dollar against the Canadian Dollar at the reporting date would have increased (decreased) net income (loss) and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant.

	Net income (loss)		Other comprehensive income	
	+5%	**-5%**	**+5%**	**-5%**
	$	$	$	$
August 31, 2021	549,000	(549,000)	490,000	(490,000)

24. 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.

	Year ended August 31, 2021				Year ended August 31, 2020	Year ended August 31, 2019
	Sale of electric boats	**Rental of electric boats for the 90-day period ended August 31, 2021)**	**Inter-segment eliminations**	**Total**	**Sale of electric boats**	**Sale of electric boats**
	$	$	$	$	$	$
Revenue from external customers	**2,158,240**	**1,355,548**	**—**	**3,513,788**	2,417,173	2,869,377
Revenue from other segments	**142,007**	**7,476**	**(149,483)**	**—**	—	—
Segment revenues	**2,300,247**	**1,363,024**	**(149,483)**	**3,513,788**	2,417,173	2,869,377
Segment gross profit	**640,228**	**988,644**	**(39,642)**	**1,604,182**	604,390	1,285,364
Segment (loss) profit before tax	**(15,581,767)**	**526,652**	**(32,255)**	**(15,008,317)**	(2,254,223)	297,453
Research and development	**1,489,953**	**—**	**—**	**1,489,953**	—	—
Office salaries and benefits	**1,557,966**	**199,599**	**—**	**1,754,613**	315,138	372,961

	August 31, 2021				August 31, 2020	August 31, 2019
	Sale of electric boats $	Rental of electric boats $	Sale of electric boats $	Total $	Sale of electric boats $	Sale of electric boats $
Segment assets	**35,175,599**	**12,734,296**	**(9,108,603)**	**38,801,292**	3,631,625	1,914,562
Cash	**17,210,266**	**937,555**	**—**	**18,147,821**	1,296,756	—
Additions to property and equipment	**432,547**	**145,275**	**(33,468)**	**544,354**	77,966	175,952
Additions to intangible assets	**1,102,662**	**—**	**—**	**1,102,662**	—	—
Segment liabilities	**2,400,829**	**2,938,746**	**(63,470)**	**5,276,105**	2,839,710	2,046,864

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

25. Impact of Coronavirus outbreak

The novel 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.

26. Additional cash flows information

Financing and investing activities not involving cash:

	2021 $	2020 $	2019 $
Advances to related parties converted to shares	**898,489**	—	—
Unpaid share subscription	**39,200**	—	—
Right-of-use assets transferred to intangibles, net of accumulated depreciation	**5,981**	—	—
Additions to right-of-use assets	**852,467**	—	—
Addition to property and equipment by way of finance lease	**—**	—	11,333
Lease termination	**37,033**	—	—
Shares issued as consideration for the acquisition of intangible assets *[note 11]*	**573,936**	—	—
Shares issued as consideration for business acquisition *[note 5]*	**3,474,232**	—	—
Transaction costs for share issuance transferred from prepaid	**213,019**	—	—

27. Commitments

In addition to the obligations under leases *[note 15]*, 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	959,000
2023	685,000
2024	228,000