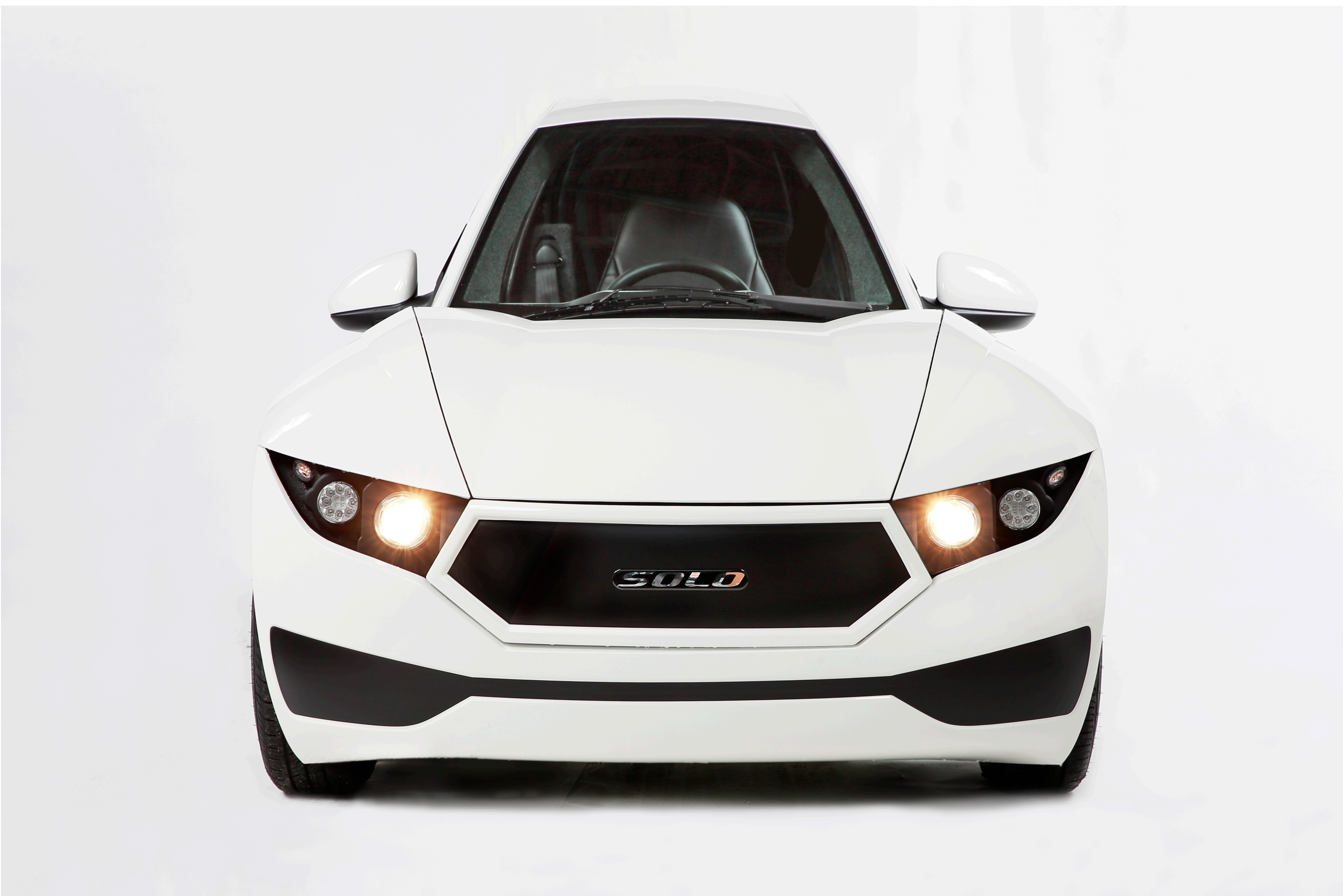
MECCANICA



2017 Annual Report

2017 Annual Report

Table of Content

1. Message to Shareholders

We are pleased to report that Electra Meccanica Vehicles Corp. (EMV) is rapidly reaching a major milestone in the Company's history. Our executive and engineering teams are performing the inspections on the production SOLOS prior to the manufacture of the first 5,000 SOLOs from our experienced manufacturing partner, the Zongshen Industrial Group, located in Chongqing China. With the pending delivery of the initial 5,000 SOLOs followed by an additional delivery of 70,000 SOLOs for the subsequent 2 years, our SOLO will become a common site on roads around North America.

A few pre-production SOLOs were delivered almost a year ago to our first customers to ensure that they meet and exceed expectations before scaling in volume. We thank these bold trailblazers for not only being early-adopters, but also for providing our development team with valuable feedback, which has been overwhelmingly positive.

EMV built 11 pre-production SOLOs in 2017. We continuing to develop and perfect the vehicle as we prepare for mass production. A significant enhancement was the development, manufacture and implementation of our 17 kWh battery pack. Simultaneous to improved develpments of the SOLO, we successfully received U.S. Certification and have made significant progress with Canadian Certification. With production details and certifications in place, EMV has carefully crafted a U.S. distribution and implementation plan that will begin to rollout in the second half of 2018.

We recently rebranded EMV with our subsidiary and strategic partner, Intermeccanica, a historic and well-regarded brand to form the unified new Meccanica brand.

Our EMV order book increased substantially in 2017, not only from the hundreds of individual customers for SOLOs and Tofinos, but also from corporations and fleet vendors. These orders are pending final confirmation and approval but are a strong indication of the excitement and interest that our EMV vehicles are having globally. Our sales and marketing team continues to develop effective and innovative ways of reaching out to potential customers. Our appearance at this year's Consumer Electronics Show in Las Vegas, netted us the Automotive Innovator Award by IHS Markit – a prestigious honor.

In September of 2017, EMV's shares began trading on the U.S. based OTC Markets. The EMV team has been working tirelessly toward our goal of uplisting to the NASDAQ exchange accompanied by an IPO. Moving to the NASDAQ exchange will increase the visibility of EMV, offer a traditional and recognized exchange for our shareholders, and provide the best option for future financing of new manufacturing and development facilities capable of producing clean energy vehicles with the style and flair that we are known for.

Our 2018 Annual General Meeting will be held on May 24, 2018 where we will update you on our vision for an exciting and sustainable future, driven by our innovative group. Please join us to meet our team, and your many fellow EMV shareholders who all have a common cause to empower EMV to make a great difference in both the automotive industry, and the world at large.

We will continue to keep you informed on company developments via our monthly online "EMV Update" reports on Facebook Live. Also, please keep checking our newsletter for future announcements and events, and enjoy the fun we have in showing off new technologies and interesting perspectives that help to make EMV the growing company that it is. Additionally, 2019 will mark the 60th Anniversary of Intermeccanica. We are planning some very special events and we will keep you informed in this regard.

Sincerely, ElectraMeccanica Vehicles Corp.

Henry Reisner, COO

Jerry Kroll, CEO

2. Form 51-102F1 Management's Discussion & Analysis

ELECTRAMECCANICA VEHICLES CORP.

Form 51-102F1 Management's Discussion & Analysis

For the Year ended December 31, 2017

ELECTRAMECCANICA VEHICLES CORP.
Form 51-102F1 Management's Discussion & Analysis
For the Year ended December 31, 2017

1.1.1 Date March 30, 2018

Introduction

The following management's discussion and analysis, prepared as of December 31, 2017, is a review of operations, current financial position and outlook for ElectraMeccanica Vehicles Corp., (the "Company") and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017 and the notes thereto. The reader should also refer to the annual audited financial statements for the year ended December 31, 2016. Amounts are reported in Canadian dollars based upon financial statements prepared in accordance with International on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following Management's Discussion and Analysis (MD&A) constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Risks and Uncertainties

A going concern assessment is outlined in Note 1 of the financial statements.

1.2 Overall Performance

Description of Business

The Company was incorporated on February 16, 2015, under the laws of the province of British Columbia, Canada, and its principal activity is the development and manufacturing of single occupancy electric vehicles.

The head office and principal address of the Company are located at 102 East 1st Avenue, Vancouver, British Columbia, Canada, V5T 1A4.

Additional information related to the Company is available on SEDAR at www.sedar.com.

Performance Summary

The following is a summary of significant events and transactions that occurred during the year ended December 31, 2017:

The Company introduced its second electric vehicle, the Tofino, to the public at the Vancouver International Auto Show held at the Vancouver Convention Centre, Vancouver, British Columbia on March 28, 2017.

The Company started its deliveries of SOLO's to customers during the 3 months to June 30, 2017.

On September 1st, 2017 the Company listed its common shares on the OTC Markets OTC QB.

On October 2nd, 2017 the Company announced that it had signed a manufacturing agreement with Zongshen Industrial Group Co., Ltd to produce 75,000 SOLO all-electric vehicles over the next three years.

On October 18, 2017 the Company entered into a Share Purchase Agreement (the "SPA") to acquire Intermeccanica International Ltd. ("Intermeccanica"). Under the SPA the Company agreed to purchase all the shares of Intermeccanica for $2,500,000. In addition to an initial payment of $100,000 in 2016, during the year ended December 31, 2017 an additional $200,000 was paid (note 6). On October 18, 2017 the Company paid $700,000, and entered into a Promissory Note (the "Note") for the balance of $1,500,000. The Note bears interest at 5% per annum, and is payable in installments of $500,000 plus accrued interest on the 6th, 12th and 18th month after purchase. Under the Note if the Company raises at least $10 million by way of equity or debt after October 18, 2017 the unpaid portion of the Note shall be paid within 30 days. The Promissory Note will be secured over the assets of Intermeccanica. On January 29, 2018, the Company paid the promissory note in full.

During the year ended December 31, 2017, the Company raised gross proceeds of $10,846,125 from private placements.

Financings

During the year ended December 31, 2017, the Company issued the following shares;

Issuance of Shares	Number of Shares Issued	Cash Proceeds
Private Placements	3,820,499	$ 10,842,021
Finders Fee	214,009	$ Nil
Shares issued for convertible loan	1,620,114	$ 2,992,810
Shares issued for Services	150,000	$ Nil
Share issued costs	Nil	$ (1,456,442)

On January 5, 2018, the Company completed a private placement of 1,000,000 common shares at a price of $0.85 per share for gross proceeds of $850,000. The Company incurred share issue costs of $85,000 relating to this private placement.

On January 22, 2018, the Company completed a private placement of 400,000 units at a price of USD $4.20 per unit for gross proceeds of USD $1,680,000 (CAD $2,092,456). Each unit consists of one common share and one non-transferable common share purchase warrant with each warrant entitling the subscriber to acquire one additional share at a price of USD $8.40 per warrant share until January 21, 2019. The Company incurred share issue costs of USD $201,600 (CAD $248,874) relating to this private placement.

On January 29 2018, the Company completed a private placement of 114,274 common shares at a price of $5.18 per unit for gross proceeds of $591,941. On January 29, 2018, the Company issued 4,571 common shares at a price of $5.18 per share for third party finder's fees relating to this private placement. Additionally, the Company paid third party finder's fees of $35,516 relating to this private placement.

On February 19, 2018 the Company issued 12,395 common shares pursuant the exercise of stock options at $1 per share for proceeds of $12,395.

Incentive Stock Options

During the year ended December 31, 2017, the Company granted 1,120,000 additional stock options with an exercise price of $1.00 per share, which options will expire on February 17, 2023. The following table represents the number of stock options that are outstanding as at December 31, 2017.

Date of Grant	Number of Options	Price Per Option	Expiry Date
June 11, 2015	45,000,000	$0.15	June 11, 2022
August 13, 2015	2,675,000	$0.15	August 13, 2022
December 9, 2015	8,400,000	$0.40	December 9, 2022
March 7, 2016	25,000	$0.40	March 7, 2023
June 21, 2016	50,000	$1.00	June 21, 2023
February 17, 2017	960,000	$1.00	February 17, 2024
August 8, 2017	100,000	$1.00	August 8, 2023
January 5, 2018	835,000	USD$4.80	January 6, 2025

On January 5, 2018 the Company granted stock options to acquire 835,000 common shares of the Company at an exercise price of USD $4.80 per share for a period of 7 years. The options vest over a 48 month period.

1.2 Selected Annual Financial Information

	Year Ended December 31, 2017	Year Ended December 31, 2016
	$	**$**
Revenue	109,173	-
Gross Profit	45,223	-
Operations:		
Amortisation	124,133	22,567
General & Administration Exp.	2,373,251	1,205,835
Research & Development Exp.	4,430,386	2,778,295
Sales & Marketing Exp.	631,381	209,455
Stock-based compensation Exp.	889,511	1,461,189
Share-based payment Exp.	1,085,716	3,264,681
Subtotal	(9,489,156)	(8,942,022)
Accretion Interest Exp.	69,562	25,908
Changes in fair value of derivative liability	186,269	-
Finders fee on convertible loan	258,542	-
Impairment of Goodwill	1,342,794	-
Foreign exchange loss	20,048	5,417
Loss for the Period	(11,366,372)	(8,973,347)
Basic & Diluted Loss per Share	(0.35)	(0.27)
Balance Sheet		
Working Capital	6,653,009	3,555,976
Total Assets	12,661,381	4,787,766
Total Long Term Liabilities	3,655,690	Nil

1.3 Results of Operations

Three months ended December 31, 2017

Revenue for the three months ended December 31, 2017 was $109,173 (2016: $nil), caused by the acquisition of Intermeccanica International Inc. ("IMI"). IMI delivered one Roadster to a customer during the period. The following table indicates the number of vehicles produced for either delivery to customers, testing or marketing purposes.

Vehicle Type	Production		Customer Deliveries	
	Three months Ended		Three months Ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Roadster/Speedster	1	Nil	1	Nil
SOLO	3	2	Nil	Nil

During the quarter ended December 31, 2017, the Company incurred a comprehensive loss of $4,617,104 compared to $5,400,888 loss for the corresponding period in 2016. The largest expense items that resulted in an increase in net comprehensive loss for the quarter ended December 31, 2017 were;

General and administrative expenses for quarter ended December 31, 2017 were $1,666,898 compared to $454,618 for the quarter ended December 31, 2016. The following items are included in office and general expenses;

- Rent increased to $83,324, for the quarter ended December 31, 2017, from $47,829 for the corresponding quarter ended December 31, 2016. The increase was caused by the acquisition of Intermeccanica International Inc., ("IMI") and an increase in the Company's production premises as it expands its production capabilities to produce the SOLO and an increase in its retail presence.
- Office expenses increased to $221,681, for the quarter ended December 31, 2017, from $25,747 for the corresponding quarter ended December 31, 2016. The increase was caused by travel by the Company's staff to China and USA for strategic alliances, engaging an investment bank for its upcoming listing to the NASDAQ and expenses related to IMI.
- Legal & Professional were $273,418, for the quarter ended December 31, 2017, from $268,391 for the corresponding quarter ended December 31, 2016. The increase in legal and professional expenses relate to the purchase of Intermeccanica, and fees related to the Company's filing and receiving of its Scientific, Research and Experimental Development (SRED) claim and recruiting costs.
- Consulting fees were $151,120, for the quarter December 31, 2017, compared to $59,250 for the corresponding quarter ended December 31, 2016. The increase in fees related to the use of additional consultants for investor relations and executive advisory services. Consulting fees relate to services provided for accounting, finance and corporate advisory services.
- Investor relations expenses increased to $63,213 for the quarter ended December 31, 2017, from $nil for the corresponding period ended December 31, 2016. The Company has increased its investor relations activities as it transitions to a public company.
- Salaries increased to $113,141 for the quarter ended December 31 2017, compared to $53,401 for the corresponding period ended December 31, 2017. The increase is

related to performance increases to certain salaried employees, the addition of new employees and the additional employees from the purchase of IMI.

Research and development expenses were $1,705,292 for the quarter ended December 31, 2017, from $801,090 for the corresponding quarter ended December 31, 2016. The Company continues to develop its first electric vehicle, the SOLO. All costs related to pre-production vehicles are being expensed to research and development. During the quarter ended December 31, 2017, the Company received $nil (2016: $58,216) in government grants due to the suspension of the Industrial Research Assistance Program ("IRAP) administered by the National Research Council.

Sales and marketing expenses before non-cash items, increased to $188,322 for the quarter ended December 31, 2017, from $79,457 for the corresponding quarter ended December 31, 2016. The Company has increased its sales and marketing efforts by opening retail stores, increasing its social media presence and increasing its staff as its first electric vehicle, the SOLO, nears production.

Stock-based compensation charges for the quarter ended December 31, 2017 were $69,965 (2016: $764,968). The Company issued 1,020,000 stock options at an exercise price of $1.00 per share during the quarter ended March 31, 2017 and 100,000 stock options at an exercise price of $1.00 per share during the three months ended September 30, 2017. In addition, the stock-based compensation charges relate to stock options issued during previous quarters where charges are recognised over the stock option vesting period. The Company uses the Black-Scholes method of calculating the stock-based compensation expense under the graded method.

The operating expenses for the quarter ended December 31, 2017 decreased to $3,55,385 (2016: $5,400,888); the decrease in operating loss was caused by the aforementioned expenses for the year.

The Company incurred an interest accretion expense of $(117,201) for the quarter ended December 31, 2017 (2016: $20,727), relating to a convertible loan (note 11 in the financial statements for the year ended December 31, 2017). The Company valued its finder's fee related to the convertible loan of $(416,466), (2016: $nil).

The Company impaired its goodwill arising from the acquisition of Intermeccanica International Inc.("IMI"), after a third party valuation report was commissioned to value the acquisition and apportion the purchase price to the net assets of IMI, which amounted to $1,342,794 (2016: $nil).

The Company incurred changes in fair values of warrant derivative of $186,269 (2016: $Nil), caused by warrants priced in US dollars, while the Company's functional currency is in Canadian dollars. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates, hence the warrants are a derivative under IFRS, and are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as non-cash gain or loss in the consolidated statement of net loss and comprehensive loss.

The Company also had a foreign exchange loss of $11,545 (2016: nil).

Net loss and comprehensive loss of the quarter ended December 31, 2017 was $4,617,104 (2016: $5,400,888).

Year ended December 31, 2017

Revenue for the year ended December 31, 2017 was $109,173 (2016: $nil), caused by the acquisition of Intermeccanica International Inc. ("IMI"). IMI delivered one Roadster to a customer during the period. The following table indicates the number of vehicles produced for either delivery to customers, testing or marketing purposes.

Vehicle Type	Production		Customer Deliveries	
	Year Ended		Year Ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Roadster/Speedster	1	Nil	1	Nil
SOLO	11	4	3	Nil

During the year ended December 31, 2017, the Company incurred a comprehensive loss of $11,366,372 compared to $8,973,347 loss for the corresponding period. The largest expense items that resulted in an increase in net comprehensive loss for the year ended December 31, 2017 were;

General and administrative expenses for year ended December 31, 2017 were $2,373,251 compared to $1,205,835 for the year ended December 31, 2016. The following items are included, in office and general expenses;

- Rent increased to $269,716, for the year ended December 31, 2017, from $141,957 for the corresponding period ended December 31, 2016. The increase was caused by the increase in the Company's production premises as it expands its production capabilities to produce the SOLO, an increase in its retail presence and the addition of rental space on the acquisition of IMI.
- Office expenses increased to $345,986, for the year ended December 31, 2017, from $113,158 for the corresponding year ended December 31, 2016. The increases were caused by travel costs to China and New York; increase in directors and officers liability insurance as the Company migrated from a private company in 2016 to a public company in 2017; and a donation of its first SOLO vehicle to Loving Spoonful, a non-profit organisation.
- Legal & Professional increased to $912,347, for the year ended December 31, 2017, from $643,725 for the corresponding year ended December 31, 2016. The majority of the legal expenses was due to the Company's filing of its application for a ticker symbol to the Financial Industry Regulation Authority (FINRA) in the United States of America; other legal costs associated with contracts, together with professional fees associated with the filing of its amended F1 registration statement; the purchase of Intermeccanica, and fees related to the Company's filing and receiving of its Scientific, Research and Experimental Development (SRED) claim.
- Consulting fees increased to $405,176, for the year ended December 31, 2017, from $186,437 for the corresponding year ended December 31, 2016. The increase in fees related to the use of additional consultants for investor relations and executive advisory services. Consulting fees relate to services provided for accounting, finance and corporate advisory services.

- Salaries & Employees related expenses increased to $326,770 for the year ended December 31, 2017, from $120,558 for the corresponding year ended December 31, 2016. Increases relate to the addition of new employees and the addition of employees related to the acquisition of Intermeccanica International Inc.

Research and development expenses increased to $4,430,386 for the year ended December 31, 2017, from $2,778,295 for the corresponding year ended December 31, 2016. The Company continues to develop its first electric vehicle, the SOLO. All costs related to pre-production vehicles are being expensed to research and development. During the year ended December 31, 2017, the Company received $193,534 (2016: $203,997) in government grants related to the Industrial Research Assistance Program ("IRAP) administered by the National Research Council. In addition, the Company received $111,380 (2016: $nil), in Scientific Research and Experimental Development ("SRED") grant.

Sales and marketing expenses increased to $631,381 for the year ended December 31, 2017, from $209,455 for the corresponding year ended December 31, 2016. The Company has increased its sales and marketing efforts by opening retail stores, increasing its social media presence and increasing its staff as its first electric vehicle, the SOLO, nears production.

Stock-based compensation charges for the year ended December 31, 2017 were $889,511 (2016: $1,461,189). The Company issued 1,120,000 stock options at an exercise price of $1.00 per share during the year ended December 31, 2017. In addition, the stock-based compensation charges relate to stock options issued during previous quarters where charges are recognised over the stock option vesting period. The Company uses the Black-Scholes method of calculating the stock-based compensation expense under the graded method.

Share-based payments decreased to $1,085,716 for the year ended December 31, 2017 as compared to $3,264,681 for the corresponding year ended December 31, 2016. During the year ended December 31, 2017, the Company issued 45,045 warrants to a consultant to provide marketing services which were fair valued at $274,407 and shares provided for corporate advisory services were fair valued and resulted in a non-cash amount of $761,000.

The operating expenses for the year ended December 31, 2017 increased to $9,534,379 (2016: $8,942,022); the increase in operating loss was caused by the aforementioned expenses for the year.

The Company incurred an interest accretion expense of $69,562 for the year ended December 31, 2017 (2016: $25,908), relating to a convertible loan (note 11 in the financial statements for the year ended December 31, 2017). The Company valued its finder's fee related to the convertible loan of $258,542 (2016: $nil).

The Company incurred changes in fair values of warrant derivative of $186,269 (2016: $Nil), caused by warrants priced in US dollars, while the Company's functional currency is in Canadian dollars. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates and the warrants are a derivative under IFRS, and are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as non-cash gain or loss in the consolidated statement of net loss and comprehensive loss.

The Company impaired its goodwill arising from the acquisition of Intermeccanica International Inc.("IMI"), after a third party valuation report was commissioned to value the acquisition and apportion the purchase price to the net assets of IMI, which amounted to $1,342,794 (2016: $nil).

The Company also had a foreign exchange loss of $20,048 (2016: $(5,417)).

Net loss and comprehensive loss of the year ended December 31, 2017 was $11,366,372 (2016: $8,973,347).

1.5 Summary of Quarterly Results

The following table sets forth selected financial information of the Company for each of the last eight quarters:

Quarter Ending	Note	Expenses $	Net Loss $	Basic and diluted net loss per share $
December 31, 2017	3,4	(3,655,385)	(4,617,104)	(0.10)
September 30, 2017	2	(2,163,168)	(2,984,732)	(0.07)
June 30, 2017		(1,552,456)	(1,574,967)	(0.04)
March 31, 2017		(2,163,370)	(2,189,569)	(0.05)
December 31, 2016	1	(5,880,650)	(5,437,308)	(0.14)
September 30, 2016		(1,453,885)	(1,453,885)	(0.05)
June 30, 2016		(961,071)	(961,071)	(0.03)
March 31, 2016		(1,121,083)	(1,121,083)	(0.04)

Note 1– The Company incurred a share-based payment charge of $3,264,681.
Note 2 – The Company incurred a Finder's fee expense of $258,542 on a convertible loan related to the fair value of shares issued on the conversion of the convertible loan to equity.
Note 3 – The Company incurred an impairment of goodwill arising from the acquisition of Intermeccanica International Inc., of $1,342,794
Note 4 – The Company incurred a change in value of warrants of $186,269.

1.6 Liquidity and Capital Resources

The Company's operations consist of the designing, developing and manufacturing of electric vehicles. The Company's financial success is dependent upon its ability to market and sell its electric vehicles; and to raise sufficient working capital to enable the Company to execute its business plan. The Company's historical capital needs have been met by the sale of the Company's stock. There is no assurance that equity funding will be possible at the times required by the Company. If no funds are can be raised and sales of its electric vehicles does not produce sufficient net cash flow, then the Company may require a significant curtailing of operations to ensure its survival.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss and comprehensive loss of $11,366,372 during the year ended December 31, 2017 and has a cash balance and a working capital surplus of $8,610,996 and $6,653,009, respectively, as at December 31, 2017. The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued financial support of the creditors and the shareholders. In the past, the Company has relied on sales of its equity securities to meet its cash requirements. There can be no assurance that funding from this or other sources will be sufficient in the future to continue its operations. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to it. Failure to obtain such financing on a timely basis could cause the Company to reduce or terminate its operations. The above indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

As of December 31, 2017, the Company had 47,588,209 issued and outstanding shares and 127,481,925 shares on a fully diluted basis. The Company began trading on the over the counter market on September 1, 2017.

The Company had $6,653,009, of working capital surplus as at December 2017 2017 compared to $3,555,976 working capital surplus as at December 31, 2016. The increase in working capital surplus resulted from the cash used in operations of $7,320,080, (2016: $4,162,835); cash used in investing activities of $2,104,816 (2016: $357,372) resulting from the additions to property, plant and equipment and the purchase of Intermeccanica; which was offset by financing activities generating cash of $14,119,609, (2016: $8,330,133), due to the issuance of 3,820,499 common shares for net cash proceeds of $10,842,021 (2016: $8,063,633); net proceeds from the issuance of a convertible loan of $2,441,191 (2016: $300,000); and proceeds from share subscriptions received of $750,000 (2016: $101,500).

1.7 Capital Resources

As at December 31, 2017, the Company had cash and cash equivalents of $8,610,996 (2016: $3,916,283). The Company is aggressively pursuing equity financing and there can be no guarantees that the Company will be successful in its endeavors.

As of the date of this MD&A, the Company has no outstanding commitments, other than rent and lease commitments and $7.8 million payable to the Company's manufacturing partner for the production of the SOLO (Financial statement note 9 for the year ended December 31, 2017). The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

1.8 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

Related party balances
The following amounts are due to related parties

	December 31, 2017	December 31, 2016
Shareholder loan	$ 10,383	$ -
Due to related parties (Note 7)	16,814	79,904
	$ 27,197	$ 79,904

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	Year ended	
	December 31, 2017	December 31, 2016
Consulting fees	$ 185,000	$ 136.500
Salary	280,167	45.000
Deferred salary for CEO	-	30.000
Stock-based compensation	659,228	1,238,013
	$ 1,124,395	$ 1,449,513

1.10 Critical Accounting Estimates.

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenue and expenses.

Research costs are expensed when incurred and are stated net of government grants. Development costs including direct material, direct labour and contract service costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development.

The Company accounts for all stock-based payments and awards using the fair value based method. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity estimates issued, or liabilities incurred, whichever is more reliably measurable.

From time to time, the company must make accounting estimates. These are based on the best information available at the time, utilizing generally accepted industry standards.

.

1.11 Changes in Accounting Policies including Initial Adoption

See Note 1 of the Company's financial statements for the year ended December 31, 2017.

Going concern issue

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2017, the Company had not commenced commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its electric vehicles manufacturing activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance its operations over the next twelve months through private placement of equity capital. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

Internal control over financial reporting and disclosure controls and procedures

Management is responsible for the design and maintenance of both internal control systems over financial reporting and disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Current disclosure controls include meetings with the CEO, chief financial officer and members of the Board of Directors and audit committee through e-mails, on telephone conferences and informal meetings to review public disclosure. All public disclosures are reviewed by certain members of senior management and the board of directors and audit committee of the Board of Directors has delegated the duties to the chief executive officer who is primarily responsible for financial and disclosure controls.

Management and the board of directors continue to work to mitigate the risk of material misstatement.

Risk and uncertainties

We have a limited operating history and have not yet generated any revenues.

Our limited operating history makes evaluating our business and future prospects difficult. We were formed in February 2015 and we have not yet begun producing or delivering our first production SOLO. To date, we have no revenues from our electric vehicles. We intend in the longer term to derive substantial revenues from the sales of our SOLO vehicle and other intended electric vehicles. The SOLO is in development, and we have started to deliver the SOLO to our customers. However, the SOLO vehicle requires significant investment prior to commercial production and may not be successfully developed or commercially successful.

It is anticipated that we will experience an increase in losses prior to the launch of the SOLO.

For the year ended December 31, 2017, we generated a loss of $11,366,372, bringing our accumulated deficit to $21,335,552. We anticipate generating a significant loss for the current fiscal year. The independent auditor's report on our financial statements includes an explanatory paragraph relating to our ability to continue as a going concern.

We have no revenues, are currently in debt and expect significant increases in costs and expenses to forestall revenues for the foreseeable future. Even if we are able to successfully develop the SOLO, there can be no assurance that we will be commercially successful. If we are to achieve profitability we must have a successful commercial introduction and acceptance of the SOLO, which may not occur

We expect the rate at which we will incur losses to increase significantly in future periods from current levels as we:

- design, develop and manufacture the SOLO and its components;
- design and develop the Tofino and its components for a launch in 2019;
- develop and equip our manufacturing facility;
- build up inventories of parts and components for the SOLO;
- open Electrameccanica stores;
- expand our design, development, maintenance and repair capabilities;
- develop and increase our sales and marketing activities; and
- develop and increase our general and administrative functions to support our growing operations.

Since we will incur the costs and expenses from these efforts before we receive any revenues with respect thereto, our losses in future periods will be significantly greater than the losses we would incur if we developed the business more slowly. In addition, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in increases in our revenues, which would further increase our losses.

We currently have negative operating cash flows and if we are unable to generate positive operating cash flows in the future our viability as an operating business will be adversely affected.

We have made significant up-front investments in research and development, sales and marketing, and general and administrative expenses in order to rapidly develop and expand our

business. We are currently incurring expenditures related to our operations that have generated a negative operating cash flow. Operating cash flow may decline in certain circumstances, many of which are beyond our control. There is no assurance that sufficient revenues will be generated in the near future. Because we continue to incur such significant future expenditures for research and development, sales and marketing, and general and administrative expenses, we may continue to experience negative cash flow until we reach a sufficient level of sales with positive gross margins to cover operating expenses. An inability to generate positive cash flow until we reach a sufficient level of sales with positive gross margins to cover operating expenses or raise additional capital on reasonable terms will adversely affect our viability as an operating business.
We will need a significant amount of capital to carry out our proposed business plan, and unless we are able to raise sufficient funds we may be forced to discontinue our operations.

In order to carry out our proposed business plan to develop, manufacture, sell and service electric vehicles, we will require a significant amount of capital.

We intend to meet our cash requirements for the next 12 months through the sale of our equity securities in private placements, through shareholder loans or possibly through a registered public offering (either self-underwritten or through a broker-dealer). If we are unsuccessful in raising enough funds through such capital-raising efforts, we may review other financing possibilities such as bank loans. There is no assurance that any financing will be available to us or if available, on terms that will be acceptable to us. We intend to negotiate with our management and consultants to pay parts of their salaries and fees with stock and stock options instead of cash.

Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business plan. These factors may make the timing, amount, terms and conditions of such financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our current corporate structure. There is no guarantee that we will be able to obtain any funding or that we will have sufficient resources to conduct our business as projected, any of which could mean that we will be forced to discontinue our operations.

Terms of subsequent financings may adversely impact current investment.

We may have to engage in common equity, debt, or preferred stock financing in the future. The rights and the value of investment in our common stock could be reduced. Interest on debt securities could increase costs and negatively impacts operating results. In addition, if we need to raise more equity capital from the sale of common stock, institutional or other investors may negotiate terms at least as, and possibly more, favorable than the terms of our current shareholders. Shares of common stock which we sell could be sold into any market which develops, which could adversely affect the market price.

Our future growth is dependent upon consumers' willingness to adopt three-wheeled single passenger electric vehicles.

Our growth is highly dependent upon the adoption by consumers of, and we are subject to an elevated risk of any reduced demand for, alternative fuel vehicles in general and electric vehicles in particular. If the market for three-wheeled single passenger electric vehicles does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and operating results will be harmed. The market for alternative fuel vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. Factors that may influence the adoption of alternative fuel vehicles, and specifically electric vehicles, include:

- perceptions about electric vehicle quality, safety (in particular with respect to lithium-ion battery packs), design, performance and cost, especially if adverse events or accidents occur that are linked to the quality or safety of electric vehicles;

- perceptions about vehicle safety in general, in particular safety issues that may be attributed to the use of advanced technology, including vehicle electronics and braking systems;

- the limited range over which electric vehicles may be driven on a single battery charge;

- the decline of an electric vehicle's range resulting from deterioration over time in the battery's ability to hold a charge;

- concerns about electric grid capacity and reliability, which could derail our efforts to promote electric vehicles as a practical solution to vehicles which require gasoline;

- the availability of alternative fuel vehicles, including plug-in hybrid electric vehicles;

- improvements in the fuel economy of the internal combustion engine;

- the availability of service for electric vehicles;

- the environmental consciousness of consumers;

- volatility in the cost of oil and gasoline;

- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy;

- access to charging stations, standardization of electric vehicle charging systems and consumers' perceptions about convenience and cost to charge an electric vehicle;

- the availability of tax and other governmental incentives to purchase and operate electric vehicles or future regulation requiring increased use of nonpolluting vehicles; and

- perceptions about and the actual cost of alternative fuel.

The influence of any of the factors described above may cause current or potential customers not to purchase our electric vehicles, which would materially adversely affect our business, operating results, financial condition and prospects.

The range of our electric vehicles on a single charge declines over time which may negatively influence potential customers' decisions whether to purchase our vehicles.

The range of our electric vehicles on a single charge declines principally as a function of usage, time and charging patterns. For example, a customer's use of their SOLO vehicle as well as the frequency with which they charge the battery of their SOLO vehicle can result in additional deterioration of the battery's ability to hold a charge. We currently expect that our battery pack will retain approximately 85% of its ability to hold its initial charge after approximately 3,000 charge cycles and 8 years, which will result in a decrease to the vehicle's initial range. Such battery deterioration and the related decrease in range may negatively influence potential customer decisions whether to purchase our vehicles, which may harm our ability to market and sell our vehicles.

Developments in alternative technologies or improvements in the internal combustion engine may materially adversely affect the demand for our electric vehicles.

Significant developments in alternative technologies, such as advanced diesel, ethanol, fuel cells or compressed natural gas, or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. For example, fuel which is abundant and relatively inexpensive in North America, such as compressed natural gas, may emerge as consumers' preferred alternative to petroleum based propulsion. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced electric vehicles, which could result in the loss of competitiveness of our vehicles, decreased revenue and a loss of market share to competitors.

If we are unable to keep up with advances in electric vehicle technology, we may suffer a decline in our competitive position.

We may be unable to keep up with changes in electric vehicle technology and, as a result, may suffer a decline in our competitive position. Any failure to keep up with advances in electric vehicle technology would result in a decline in our competitive position which would materially and adversely affect our business, prospects, operating results and financial condition. Our research and development efforts may not be sufficient to adapt to changes in electric vehicle technology. As technologies change we plan to upgrade or adapt our vehicles and introduce new models in order to continue to provide vehicles with the latest technology, in particular battery cell technology. However, our vehicles may not compete effectively with alternative vehicles if we are not able to source and integrate the latest technology into our vehicles. For example, we do not manufacture battery cells which makes us dependent upon other suppliers of battery cell technology for our battery packs.

If we are unable to design, develop, market and sell new electric vehicles and services that address additional market opportunities, our business, prospects and operating results will suffer.

We may not be able to successfully develop new electric vehicles and services, address new market segments or develop a significantly broader customer base. To date, we have focused our business on the sale of the SOLO, a three-wheeled single passenger electric vehicle and have targeted mainly urban residents of modest means. We will need to address additional markets and expand our customer demographic in order to further grow our business. Our failure to address additional market opportunities would harm our business, financial condition, operating results and prospects.

Demand in the vehicle industry is highly volatile.

Volatility of demand in the vehicle industry may materially and adversely affect our business prospects, operating results and financial condition. The markets in which we will be competing have been subject to considerable volatility in demand in recent periods. Demand for automobile sales depends to a large extent on general, economic, political and social conditions in a given market and the introduction of new vehicles and technologies. As a new start-up manufacturer, we will have fewer financial resources than more established vehicle manufacturers to withstand changes in the market and disruptions in demand.

We depend on certain key personnel, and our success will depend on our continued ability to retain and attract such qualified personnel.

Our success is dependent on the efforts, abilities and continued service of Jerry Kroll - Chief Executive Officer, Henry Reisner - Chief Operating Officer, Kulwant Sandher - Chief Financial Officer, and Ed Theobald – General Manager. A number of these key employees and consultants have significant experience in the automobile manufacturing industry. A loss of service from any one of these individuals may adversely affect our operations, and we may have difficulty or may not be able to locate and hire a suitable replacement. We have not obtained any “key man” insurance on certain key personnel.

Since we have little experience in mass-producing electric vehicles, any delays or difficulties in transitioning from producing custom vehicles to mass-producing vehicles may have a material adverse effect on our business, prospects and operating results.

Our management team has experience in producing custom designed vehicles and is now switching focus to mass producing electric vehicles in a rapidly evolving and competitive market. If we are unable to implement our business plans in the timeframes estimated by management and successfully transition into a mass-producing electric vehicle manufacturing business, then our business, prospects, operating results and financial condition will be negatively impacted and our ability to grow our business will be harmed.

We are subject to numerous environmental and health and safety laws and any breach of such laws may have a material adverse effect on our business and operating results.

We are subject to numerous environmental and health and safety laws, including statutes, regulations, bylaws and legal requirements contained in approvals or that arise under common law. These laws relate to the generation, use, handling, storage, transportation and disposal of regulated substances, including hazardous substances, dangerous goods and waste, emissions or discharges into soil, water and air, including noise and odours (which could result in remediation obligations), and occupational health and safety matters, including indoor air quality. These legal requirements vary by location and can arise under federal, provincial, state or municipal laws. Any breach of such laws and/or requirements would have a material adverse effect on our Company and its operating results.

Our vehicles are subject to motor vehicle standards and the failure to satisfy such mandated safety standards would have a material adverse effect on our business and operating results.

All vehicles sold must comply with federal, state and provincial motor vehicle safety standards. In both Canada and the United States vehicles that meet or exceed all federally mandated safety standards are certified under the federal regulations. In this regard, Canadian and U.S. motor vehicle safety standards are substantially the same. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. Failure by us to have the SOLO or any future model electric vehicle satisfy motor vehicle standards would have a material adverse effect on our business and operating results.

If we are unable to reduce and adequately control the costs associated with operating our business, including our costs of manufacturing, sales and materials, our business, financial condition, operating results and prospects will suffer.

If we are unable to reduce and/or maintain a sufficiently low level of costs for designing, manufacturing, marketing, selling and distributing and servicing our electric vehicles relative to their selling prices, our operating results, gross margins, business and prospects could be materially and adversely impacted.

If our vehicles fail to perform as expected, our ability to develop, market and sell our electric vehicles could be harmed.

Our vehicles may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. For example, our vehicles use a substantial amount of software code to operate. Software products are inherently complex and often contain defects and errors when first introduced. While we have performed extensive internal testing, we currently have a very limited frame of reference by which to evaluate the performance of our SOLO in the hands of our customers and currently have no frame of reference by which to evaluate the performance of our SOLO after several years of customer driving.

We have very limited experience servicing our vehicles. If we are unable to address the service requirements of our future customers our business will be materially and adversely affected.

If we are unable to successfully address the service requirements of our future customers our business and prospects will be materially and adversely affected. In addition, we anticipate the level and quality of the service we will provide our SOLO customers will have a direct impact on the success of our future vehicles. If we are unable to satisfactorily service our SOLO customers, our ability to generate customer loyalty, grow our business and sell additional SOLOs as well as our future intended vehicles could be impaired.

We have very limited experience servicing our vehicles. As of December 31, 2017 we had not sold any SOLOs as we do not plan to begin production of any SOLO vehicles until early third quarter of 2018, and do not have any experience servicing these cars as they do not exist currently. Servicing electric vehicles is different than servicing vehicles with internal combustion engines and requires specialized skills, including high voltage training and servicing techniques.

Increases in costs, disruption of supply or shortage of raw materials, in particular lithium-ion cells, could harm our business.

We may experience increases in the cost or a sustained interruption in the supply or shortage of raw materials. Any such an increase or supply interruption could materially negatively impact our business, prospects, financial condition and operating results. We use various raw materials in our business including aluminum, steel, carbon fiber, non-ferrous metals such as copper, as well as cobalt. The prices for these raw materials fluctuate depending on market conditions and global demand for these materials and could adversely affect our business and operating results. For instance, we are exposed to multiple risks relating to price fluctuations for lithium-ion cells. These risks include:

- the inability or unwillingness of current battery manufacturers to build or operate battery cell manufacturing plants to supply the numbers of lithium-ion cells required to support the growth of the electric or plug-in hybrid vehicle industry as demand for such cells increases;

- disruption in the supply of cells due to quality issues or recalls by the battery cell manufacturers; and

- an increase in the cost of raw materials, such as cobalt, used in lithium-ion cells.

Our business is dependent on the continued supply of battery cells for our vehicles. Any disruption in the supply of battery cells from our supplier could temporarily disrupt the planned production of the SOLO until such time as a different supplier is fully qualified. Moreover, battery cell manufacturers may choose to refuse to supply electric vehicle manufacturers to the extent they determine that the vehicles are not sufficiently safe. Furthermore, current fluctuations or shortages in petroleum and other economic conditions may cause us to experience significant increases in freight charges and raw material costs. Substantial increases in the prices for our raw materials would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased electric vehicle prices. There can be no assurance that we will be able to recoup increasing costs of raw materials by increasing vehicle prices. We have also already announced an estimated price for the base model of our planned SOLO. However, any attempts to increase the announced or expected prices in response to increased raw material costs could be viewed negatively by our potential customers, result in cancellations of SOLO reservations and could materially adversely affect our brand, image, business, prospects and operating results.

The unavailability, reduction or elimination of government and economic incentives could have a material adverse effect on our business, financial condition, operating results and prospects.

Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of the electric vehicle, fiscal tightening or other reasons may result in the diminished competitiveness of the alternative fuel vehicle industry generally or our electric vehicles in particular. This could materially and adversely affect the growth of the alternative fuel automobile markets and our business, prospects, financial condition and operating results.

If we fail to manage future growth effectively, we may not be able to market and sell our vehicles successfully.

Any failure to manage our growth effectively could materially and adversely affect our business, prospects, operating results and financial condition. We plan to expand our operations in the near future in connection with the planned production of the SOLO. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. Risks that we face in undertaking this expansion include:

- training new personnel;

- forecasting production and revenue;

- controlling expenses and investments in anticipation of expanded operations;

- establishing or expanding design, manufacturing, sales and service facilities;

- implementing and enhancing administrative infrastructure, systems and processes;
- addressing new markets; and
- establishing international operations.

We intend to continue to hire a number of additional personnel, including design and manufacturing personnel and service technicians for our electric vehicles. Competition for individuals with experience designing, manufacturing and servicing electric vehicles is intense, and we may not be able to attract, assimilate, train or retain additional highly qualified personnel in the future. The failure to attract, integrate, train, motivate and retain these additional employees could seriously harm our business and prospects.

Our business may be adversely affected by union activities.

Although none of our employees are currently represented by a labor union, it is common throughout the automobile industry generally for many employees at automobile companies to belong to a union, which can result in higher employee costs and increased risk of work stoppages. As we expand our business to include full in-house manufacturing of our SOLO vehicle, there can be no assurances that our employees will not join or form a labor union or that we will not be required to become a union signatory. We are also directly or indirectly dependent upon companies with unionized work forces, such as parts suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, financial condition or operating results. If a work stoppage occurs, it could delay the manufacture and sale of our electric vehicles and have a material adverse effect on our business, prospects, operating results or financial condition.

We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

We may become subject to product liability claims, which could harm our business, prospects, operating results and financial condition. The automobile industry experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform as expected or malfunction resulting in personal injury or death. Our risks in this area are particularly pronounced given we have not delivered any SOLO vehicles to date and limited field experience of those vehicles. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our vehicles and business and inhibit or prevent commercialization of other future vehicle candidates which would have material adverse effect on our brand, business, prospects and operating results. We plan to maintain product liability insurance for all our vehicles with annual limits of approximately $5 million on a claims made basis, but we cannot assure that our insurance will be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business and financial condition. We may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if we do face liability for our products and are forced to make a claim under our policy.

Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from interfering with our commercialization of our products.

The status of patents involves complex legal and factual questions and the breadth and effectiveness of patented claims is uncertain. We cannot be certain that we are the first creator of inventions covered by pending patent applications or the first to file patent applications on these inventions, nor can we be certain that our pending patent applications will result in issued patents or that any of our issued patents will afford sufficient protection against someone creating a knockoff of our products, or as a defensive portfolio against a competitor who claims that we are infringing its patents. In addition, patent applications filed in foreign countries are subject to laws, rules and procedures that differ from those of the United States, and thus we cannot be certain that foreign patent applications, if any, will result in issued patents in those foreign jurisdictions or that such patents can be effectively enforced, even if they relate to patents issued in the U.S. In addition, others may obtain patents that we need to take a license to or design around, either of which would increase costs and may adversely affect our business, prospects, financial condition and operating results.

We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and would cause us to incur substantial costs.

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop, sell or market our vehicles or components, which could make it more difficult for us to operate our business. From time to time, we may receive communications from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to take licenses. In addition, if we are determined to have infringed upon a third party’s intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating certain components into, or using vehicles or offering goods or services that incorporate or use the challenged intellectual property;
- pay substantial damages;
- seek a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all;
- redesign our vehicles or other goods or services; or
- establish and maintain alternative branding for our products and services.

In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology or other intellectual property right, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention.

1.14 Financial Instruments and Other Instruments

See Note 16 to the Company's financial statements for the year ended December 31, 2017.

1.15 Additional Information

HEAD OFFICE

102 East 1st Avenue

Vancouver, BC

V5T 1A4

Tel: (604) 428 - 7656

Email: info@electrameccanica.com

CAPITALIZATION

(as at March 30, 2017)

Shares Authorized: Unlimited

Shares Issued: 49,114,879

OFFICERS & DIRECTORS

Jerry Kroll,
CEO and Director

Henry Reisner

COO and Director

Kulwant Sandher, CPA, CA, BSc (Eng.)

Chief Financial Officer

Shaun Greffard

Director

Robert Tarzwell

Director

Steven Sanders

Director

Luisa Ingargiola

Director

REGISTRAR TRANSFER AGENT

Computershare

11 - 100 University Avenue
Toronto, ON, MJ5 2Y1

AUDITORS

DMCL LLP

1500 - 1140 West Pender Street, Vancouver, BC

LEGAL COUNSEL

McMillan LLP

Royal Centre, 1500 - 1055 W. Georgia Street

Vancouver, BC V6E 4N7

3. Financial Statements

ElectraMeccanica Vehicles Corp.

Consolidated Financial Statements

Year Ended December 31, 2017

Expressed in Canadian Dollars

`

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ElectraMeccanica Vehicles Corp.

We have audited the accompanying consolidated financial statements of ElectraMeccanica Vehicles Corp. which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ElectraMeccanica Vehicles Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that cast significant doubt about ElectraMeccanica Vehicles Corp.'s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from this uncertainty.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 2, 2018

ElectraMeccanica Vehicles Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 8,610,996	$ 3,916,283
Receivables	5	243,639	271,284
Prepaid expenses		920,146	249,585
Inventory		232,903	-
		10,007,684	4,437,152
Non-current assets			
Plant and equipment	6	1,393,683	225,269
Investment	7	-	100,000
Trademark and patents		-	23,175
Goodwill and other intangible assets	7	1,260,014	2,170
TOTAL ASSETS		**$ 12,661,381**	**$ 4,787,766**
LIABILITIES			
Current liabilities			
Bank overdraft and demand loan	9	$ 123,637	$ -
Trade payables and accrued liabilities	8	1,123,790	468,000
Customer deposits		447,071	169,500
Convertible loan	11	-	243,676
Shareholder loan		10,383	-
Promissory note	7	1,500,000	-
Deferred income tax	7	149,794	-
		3,354,675	881,176
Non-current liabilities			
Derivative liability[1]	12	3,655,690	-
TOTAL LIABILITIES		7,010,365	881,176
EQUITY			
Share capital	13	22,718,282	11,383,996
Common share subscription		750,000	101,500
Share-based payment reserve	14	3,518,286	2,351,144
Equity component reserve	14	-	39,130
Deficit		(21,335,552)	(9,969,180)
TOTAL EQUITY		5,651,016	3,906,590
TOTAL LIABILITIES AND EQUITY		**$ 12,661,381**	**$ 4,787,766**

Commitments (Notes 6 and 9)
Subsequent events (Note 21)

On behalf of the Board of Directors.

*/s/ Steve Sanders*____________________
Director

*/s/ Louisa Ingargiola*________________
Director

[1] Footnote: The warrant derivative liability is valued at fair value in accordance with International Financial Reporting Standards ("IFRS"). There are no circumstances in which the Company would be required to pay cash upon exercise or expiry of the warrants. See Note 12.

The accompanying notes are an integral part of these consolidated financial statements

ElectraMeccanica Vehicles Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

..

	Note	Year ended December 31, 2017	December 31, 2016
Revenue		$ 109,173	$ -
Cost of revenue		63,950	-
Gross profit		45,223	-
Operating expenses			
Amortization	6	124,134	22,567
General and administrative expenses	15	2,373,251	1,205,835
Research and development expenses	16	4,430,386	2,778,295
Sales and marketing expenses	17	631,381	209,455
Stock-based compensation expense	13	889,511	1,461,189
Share-based payment expense	13	1,085,716	3,264,681
		(9,534,379)	(8,942,022)
Loss before other items		(9,489,156)	(8,942,022)
Other items			
Accretion interest expense	11	69,562	25,908
Changes in fair value of warrant derivative	12	186,269	-
Finder's fee on convertible loan	11	258,542	-
Impairment of goodwill	7	1,342,794	-
Foreign exchange loss		20,048	5,417
Net and comprehensive loss		**$ (11,366,372)**	**$ (8,973,347)**
Loss per share – basic and fully diluted		**$ (0.35)**	**$ (0.27)**
Weighted average number of shares outstanding – basic and fully diluted	13	**43,636,629**	**32,684,868**

The accompanying notes are an integral part of these consolidated financial statements

ElectraMeccanica Vehicles Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
Years ended December 31, 2017 and 2016

	Note	Share capital: Number of shares	Share capital: Amount	Share subscription	Share Issue cost	Share-based payment reserve	Equity component reserve	Deficit	Total
Balance at Dec 31, 2015		26,783,625	$ 458,520	$ 50,000	$ -	$ 354,015	$ -	$ (995,833)	$ (133,298)
Shares issued for cash	13	13,575,200	8,375,519	-	(1,604,486)	-	-	-	6,771,033
Share issued for finders fees	13	1,273,512	823,512	-	-	519,088	-	-	1,342,600
Shares issued for convertible debt issue cost	11,13	26,250	26,250	-	-	16,852	-	-	43,102
Share issued to settle debt	13	125,000	50,000	-	-	-	-	-	50,000
Share-based payment	13	-	3,264,681	-	-	-	-	-	3,264,681
Stock-based compensation	13	-	-	-	-	1,461,189	-	-	1,416,189
Share subscription	13	-	-	51,500	(10,000)	-	-	-	41,500
Equity component of convertible loan	11	-	-	-	-	-	39,130	-	39,130
Net and comprehensive loss for the year		-	-	-	-	-	-	(8,973,347)	(8,973,347)
Balance at December 31, 2016		41,783,587	12,998,482	101,500	(1,614,486)	2,351,144	39,130	(9,969,180)	3,906,590
Shares issued for cash	13	3,820,499	12,022,308	(101,500)	(1,381,442)	-	-	-	10,454,366
Adjustment for warrant derivative liability			(2,410,255)						(2,410,255)
Issuance of convertible debt	11						130,439		130,439
Shares issued for finders fees	13	214,009	709,521	-	-	3,223	-	-	712,744
Shares issued upon conversion of convertible debt	11,13	1,620,114	1,657,845	-	-	-	(169,569)	-	1,488,276
Shares and warrants issued to services	13	150,000	811,308	-	-	274,408	-	-	1,085,716
Stock-based compensation	13	-	-	-	-	889,511	-	-	889,511
Share subscription	13	-	-	750,000	(75,000)	-	-	-	675,000
Net and comprehensive loss for the year		-	-	-	-	-	-	(11,366,372)	(11,366,372)
Balance at December 31, 2017		47,588,209	$25,789,209	$ 750,000	$(3,070,928)	$ 3,518,286	$ -	$(21,335,552)	$ 5,566,015

During the year ended December 31, 2016, the Company completed a 1:5 forward share split and all references to number of shares have been retroactively adjusted. See Note 13 for further details.

ElectraMeccanica Vehicles Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended	
	December 31, 2017	**December 31, 2016**
Operating activities		
Loss for the year	$ (11,366,372)	$ (8,973,347)
Adjustments for:		
Amortization	124,134	22,567
Stock-based compensation expense	889,511	1,461,189
Shares issued for services	1,085,716	3,264,681
Interest accretion expense	69,562	25,908
Finder's fee on convertible loan	258,542	-
Impairment of goodwill	1,342,794	-
Impairment of trademark and patents	19,174	-
Change in fair value of warrant derivative	186,269	-
Changes in non-cash working capital items:		
Receivables	93,210	(242,645)
Prepaid expenses	(657,713)	(202,238)
Inventory	(44,092)	14,966
Trades payable and accrued liabilities	568,850	325,090
Customer deposits	110,335	140,994
Net cash flows used in operating activities	(7,320,080)	(4,162,835)
Investing activities		
Expenditures on plant and equipment	(1,264,265)	(232,027)
Purchase of Intermeccanica	(900,000)	(100,000)
Cash received on business combination	59,449	-
Expenditures on trademarks and patents	-	(25,345)
Net cash flows used in investing activities	(2,104,816)	(357,372)
Financing activities		
Proceeds from bank loan	123,637	-
Proceeds from convertible loans	2,441,225	300,000
Repayment of shareholder loans	(33,155)	(135,000)
Proceeds from share subscription	750,000	101,500
Proceeds on issuance of common shares – net of issue costs	10,837,902	8,063,633
Net cash flows from financing activities	14,119,609	8,330,133
Increase in cash and cash equivalents	4,694,713	3,809,926
Cash and cash equivalents, beginning	3,916,283	106,357
Cash and cash equivalents, ending	**$ 8,610,996**	**$ 3,916,283**

Non-cash financing and investing transactions:

Issuance of promissory note for acquisition of Intermeccanica	$ 1,500,000	-

The accompanying notes are an integral part of these consolidated financial statements

1. Nature and continuance of operations

ElectraMeccanica Vehicles Corp (the "Company") was incorporated on February 16, 2015, under the laws of the province of British Columbia, Canada, and its principal activity is the development and manufacture of electric vehicles. The Company acquired Intermeccanica International Inc. ("Intermeccanica") on October 18, 2017, and its principal activity is the development and manufacture of high end custom built vehicles.

The head office and principal address of the Company are located at 102 East 1st Avenue, Vancouver, British Columbia, Canada, V5T 1A4.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2017 the Company's principal activity, the development and manufacture of electric vehicles, is in the development stage, and the Company's continuation as a going concern is dependent upon the successful results from its electric vehicle development and manufacturing activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. It is anticipated that significant additional funding will be required. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance its operations over the next twelve months through private placement of equity capital. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on April 2, 2018 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards
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 including interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual financial statements.

Basis of preparation
The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The Company's functional and presentation currency is Canadian dollars.

Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Intermeccanica from the date of its acquisition on October 18, 2017 (Note 7). Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant estimates and assumptions
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value of the identifiable assets and liabilities acquired from Intermeccanica, the estimated recoverable amount of goodwill, intangible assets and other long-lived assets, the useful lives of plant and equipment, fair value measurements for financial instruments and share-based payments, and the recoverability and measurement of deferred tax assets.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the calculation of income taxes require judgement in interpreting tax rules and regulations.

Share-based payments
Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share
Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Fully diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of fully diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments
The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. The Company has no financial instruments classified as fair value through profit or loss, held-to-maturity, or available for sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Cash and accounts receivable are classified as loans and receivables.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative financial liabilities consist of trade payables, customer deposits, convertible loans, promissory note and shareholder loans. Derivative financial liabilities are measured at fair value and are subsequently valued at fair value through profit or loss. The Company's derivative liability consists of warrants exercisable in currencies other than the Company's functional currency.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the Company's obligations are discharged, cancelled or expired.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Any impairment is recorded in profit or loss. No impairment was required on the Company's financial instruments.

The Company does not have any derivative financial assets.

Impairment of assets
The carrying amount of the Company's long-lived assets with finite useful lives (which include plant and equipment and intangible assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if indicators of impairment exist.

Income taxes
<u>Current income tax:</u>
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>
Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Cash and cash equivalents
Cash and cash equivalents include cash and short-term investments with original maturities of less than 90 days and are presented at cost, which approximates market value.

Inventory
Inventory consists of parts held for resale or for use in fixed fee contracts and is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

Trademarks and patents
The Company expenses legal fees and filing costs associated with the development of its trademarks and patents.

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of property, plant and equipment are as follows:

Class of plant and equipment	**Amortization rate**
Office furniture and equipment	20%
Shop equipment	20%
Computer equipment	33%
Computer software	50%
Vehicles	33%
Leasehold improvement	over term of lease
Tooling	20%
Production molds	per unit produced

Research and development costs
Research costs are expensed when incurred and are stated net of government grants. Development costs including direct material, direct labour and contract service costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life. The Company did not have any development costs that met the capitalization criteria for the year ended December 31, 2017 or 2016.

Revenue recognition
Revenue is recognized to the extent that the amount of revenue can be measured reliably and collection is probable**.**

Part sales:
Sales of parts are recognized when the Company has transferred significant risks and rewards of ownership to the customer which generally occurs upon shipment.

Services, repairs and support services:
Services, repairs and support services are recognized in the accounting period when the services are rendered.

Sales of vehicles:
The Company manufactures and sells custom built vehicles typically on fixed fee arrangements with its customers. Revenue is recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the project. The stage of completion is determined as a percentage based on the amount of costs incurred compared to the estimated cost of completion. Revenue recognized in excess of amounts billed is recorded as accounts receivable. Deposits received in excess of work performed is recorded as deferred revenue.

(Expressed in Canadian dollars)

3. Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

New standard IFRS 15 "Revenue from Contracts with Customers"
This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 16 "Leases"
This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

The Company has not early adopted these new standards and is currently assessing the impact that these standards will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	December 31, 2017	December 31, 2016
Cash	$ 6,715,996	$ 666,293
Cash equivalent	1,895,000	3,249,990
	$ 8,610,996	$ 3,916,283

5. Receivables

	December 31, 2017	December 31, 2016
Trade receivable	$ 154,698	$ -
GST receivable	84,566	155,498
IRAP contribution receivable	-	108,535
GIC interest receivable	4,375	6,000
Other	-	1,251
	$ 243,639	$ 271,284

(Expressed in Canadian dollars)

6. Plant and equipment

	Furniture and equipment	Computer hardware and software	Vehicles	Leasehold Improvements	Production molds deposit	Total
Cost:						
At December 31, 2015	$ 16	$ -	$ -	$ -	$ -	$ 16,438
Additions	27,771	18,897	173,213	12,146	-	232,027
At December 31, 2016	44	18	173,213	12,1	-	248,465
Additions	246	54	216,837	89,0	914,060	1,521,361
December 31, 2017	290	73	390,050	101,2	914,060	1,769,826
Amortization:						
At December 31, 2015	629	-	-	-	-	629
Charge for the year	6	2,514	11,666	1,904	-	22,5
At December 31, 2016	7	2,514	11,666	1,904	-	23,1
Charge for the year	181	24,633	74,098	72,703	-	352,9
At December 31, 2017	188	27,147	85,764	74,607	-	376,1
Net book value:						
At December 31, 2016	$ 37	$ 16	$ 161	$ 10,2	$ -	$ 225,2
At December 31, 2017	$ 102	$ 46	$ 304	$ 26,5	$ 914,0	$ 1,3

On September 29, 2017 the Company entered into a manufacturing agreement with Chongqing Zongshen Automobile Co., Ltd. ("Zongshen"). Under the agreement the Company agrees to reimburse Zongshen for the cost of prototype tooling and molds estimated to be CNY ¥9.5 million (CAD $1.8 million), which shall be payable on or before March 18, 2018, and mass production tooling and molds estimated to be CNY ¥29.3 million (CAD $6.0 million), which shall be payable 50% when Zongshen commences manufacturing the tooling and molds, 40% when Zongshen completes manufacturing the tooling and molds, and 10% upon delivery to the Company of the first production vehicle. At December 31, 2017 the Company had paid 50% of prototype tooling and molds.

Under the agreement, the Company agreed that the minimum purchase commitments for units of the Solo vehicle are to be as follows: in calendar 2018, 5,000; in 2019, 20,000; and in 2020, 50,000, and which shall be payable following issue of Company's purchase orders as follows: 30% after Zongshen schedules production, and 70% after accepted vehicle delivery.

On October 16, 2017 the President and CEO of the Company (as "Pledgor") entered into a Share Pledge Agreement ("Share Pledge") to guarantee the payment by the Company for the cost of the prototype tooling and molds estimated to be CNY ¥9.5 million (CAD $1.8 million) to Zongshen through the pledge of 800,000 common shares of the Company. The Company approved its obligations under the Share Pledge and has agreed to reimburse the Pledgor on a one for one basis for any pledged shares realized by Zongshen.

7. Acquisition of Intermeccanica

On October 18, 2017 the Company completed the acquisition of all of the outstanding shares of Intermeccanica, a developer and manufacturer of high end custom built vehicles and the contract assembler of the Company's electric vehicles located in Greater Vancouver, BC. The acquisition of Intermeccanica is expected to accelerate the Company's manufacture and delivery of its vehicles to customers, and the Company will develop and manufacture electric versions of Intermeccanica's custom built vehicles.

Total purchase consideration was $2,500,000. In addition to an initial payment of $100,000 in 2016, an additional $200,000 was paid prior to acquisition. On October 18, 2017 the Company paid $700,000, and entered into a Promissory Note (the "Note") for the balance of $1,500,000. The Note bears interest at 5% per annum, and was payable in installments of $500,000 plus accrued interest on the 6th, 12th and 18th month after purchase. Under the Note if the Company raises at least $10 million by way of equity or debt after October 18, 2017 the unpaid portion of the Note shall be paid within 30 days. The Promissory Note was secured over the assets of Intermeccanica. The Note was paid in full on January 28, 2018.

(Expressed in Canadian dollars)

The following table summarizes the consideration paid for Intermeccanica, the fair value of identifiable assets acquired, liabilities assumed, goodwill and other intangible assets and an impairment of goodwill and other intangible assets.

Fair value of purchase consideration at October 18, 2017	
Cash	$ 1,000,000
Promissory note	1,500,000
Total consideration	$ 2,500,000

Fair value amounts of identifiable assets acquired and liabilities assumed	
Cash	$ 59,449
Receivables	65,565
Prepaid expenses	12,848
Inventory	188,811
Plant and equipment	24,282
Intangible assets:	
Customer relationships	87,000
Contracted backlog	23,000
Non-compete covenants	25,000
Trade name	423,000
Trades payable and accrued liabilities	(91,025)
Customer deposits	(167,236)
Shareholder loans	(43,538)
Deferred income tax	(149,794)
Total net identifiable assets	457,362
Goodwill and other intangible assets	2,042,638
Total	$ 2,500,000

The Company performed an impairment test of the goodwill. The recoverable amount of the Intermeccanica cash-generating unit was determined to be $1,157,206 based on its fair value less costs to sell. The difference of $1,342,794 has been recorded as an impairment in net loss.

Goodwill and other intangible assets recognized was primarily attributed to expected synergies arising from the Intermeccanica acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is not expected to be deductible for income tax purposes. During the period from October 18, 2017 to December 31, 2017 the Company did not record any amortization relating to the acquired intangible assets as the amortization amount was trivial. No further impairment was identified at December 31, 2017.

	Identifiable intangibles on acquisition	**Goodwill on acquisition**	**Domain name**	**Total**
December 31, 2015 and 2016	$ -	$ -	$	$ 2,170
Acquired in year	558,000	2,042,638	-	2,600,638
Impairment	-	(1,3		(1,342,794)
December 31, 2017	$ 558,000	$ 699,8	$	$ 1,260,014

The following unaudited supplemental pro-forma data presents consolidated information as if the acquisition been completed on January 1, 2017. The pro-forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of 2017.

Pro-forma information	**2017**
Revenue	$947,600
Gross Profit	347,375
Net and comprehensive loss	(8,848,308)

Since October 19, 2017 Intermeccanica contributed revenue of $109,173 from the sale of custom built vehicles and realized net income of $23,598.

(Expressed in Canadian dollars)

8. Trade payables and accrued liabilities

		December 31, 2017		December 31, 2016
Trade payables	$	457,520	$	70,401
Wages payables		62,110		-
Due to related parties (Note 18)		16,814		79,904
Accrued liabilities		587,346		317,695
	$	1,123,790	$	468,000

9. Commitments

Intermeccanica, its President and his wife have a joint business line of credit with Bank of Montreal (BMO) with a limit of $200,000 that is payable on demand, bears interest at BMO's personal line of credit base rate plus 1.5% and is secured by a general security agreement, a specific charge over a vehicle, and a charge over the personal home of the President and his wife. The balance outstanding at December 31, 2017 was $100,705 (2016 - $nil).

Lease obligations relate to the Company's rent of office space and warehouse space. The term of the leases expire on November 1, 2020 and July 1, 2020 with the Company holding an option to renew for a further five years for the office space.

As at December 31, 2017, future payments required under non-cancellable operating leases contracted for but not capitalized in the financial statements are as follows:

		December 31, 2017		December 31, 2016
Payable not later than one year	$	310,034	$	221,071
Payable later than one year and not later than five years		507,036		601,542
Payable later than five years		-		-
	$	817,070	$	882,613

10. Income tax expense and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2017	December 31, 2016
Net loss	$ (11,366,371)	$ (8,973,347)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(2,955,257)	(2,333,070)
Stock-based compensation	231,273	1,228,726
Share issue cost and other	488,227	(231,643)
Effect of change in tax rate	(149,561)	-
SR&ED effects	183,351	-
Temporary differences not recognized	2,385,319	1,335,987
Income tax recovery	$ -	$ -

The Company has the following deductible temporary differences:

	December 31, 2017	December 31, 2016
Non-capital loss carry-forwards	$ 11,436,565	$ 5,019,398
Property, plant and equipment	141,271	23,197
Share issue costs	1,983,154	737,637
SR&ED	1,397,672	-
Other	(558,000)	-
	14,400,662	5,780,231
Deferred tax assets not recognized	(14,955,454)	(5,780,231)
Deferred tax liability	(554,794)	-
Deferred tax liability (tax effected at 27%)	$ (149,794)	$ -

(Expressed in Canadian dollars)

The non-capital losses expire between 2035 and 2037.

11. Convertible loan

On July 31, 2017 the unsecured convertible loan for $300,000, which was issued on September 7, 2016, was converted by the holder into units of the Company at a price of $1 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant with each warrant entitling the subscriber to acquire one additional share at a price of $2 per warrant share for a period of five years from September 7, 2016. Previously, on October 5, 2016, the Company issued 26,250 units at a price of $1 per unit with a fair value of $43,102 for third party finder's fees regarding the convertible loan.

The loan was non-interest bearing. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible loan, which the Company determined to be 15%. The residual amount, representing the value of the equity conversion option, was included in shareholders equity as the equity component of the convertible loan. The implicit interest rate for the convertible loan was 15% per annum. The carrying value of the liability component was being accreted to the face value of the convertible loan over the period from issuance to the maturity date of September 7, 2017.

Unsecured Convertible Loan issued September 7, 2016		**December 31, 2017**		**December 31, 2016**
Balance, beginning	$	243,676		-
Proceeds from issue of convertible loan		-	$	300,000
Amount allocated to equity on issue of convertible loan		-		(39,130)
Convertible loan issue costs		-		(43,102)
Interest accretion expense		47,763		25,908
Conversion to common shares (Note 13)		(291,439)		-
Balance, ending	$	-	$	243,676

On July 31, 2017 the Company issued an unsecured convertible loan in the amount of $1,000,034, convertible into units of the Company at a price of $1 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant with each warrant entitling the subscriber to acquire one additional share at a price of $2 per warrant share for a period of five years from July 31, 2017. On September 30, 2017, the Company issued 100,001 common shares at a price of $1 per share with a fair value of $100,001 for third party finder's fees regarding the convertible loan.

The loan was non-interest bearing. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible loan, which the Company determined to be 15%. The residual amount, $130,439, representing the value of the equity conversion option, was included in shareholders equity as the equity component of the convertible loan. The implicit interest rate for the convertible loan was 15% per annum. The carrying value of the liability component was being accreted to the face value of the convertible loan over the period from issuance to the maturity date of July 31, 2018.

On September 29, 2017 the convertible loan was converted by the holder into 1,000,034 units of the Company at a price of $1 per unit.

Unsecured Convertible Loan issued July 31, 2017		**December 31, 2017**
Proceeds from issue of convertible loan	$	1,000,034
Amount allocated to equity on issue of convertible loan		(130,439)
Debt issue costs		(86,958)
Interest accretion expense		21,799
finder's fee accretion		14,533
Conversion to common shares (Note 13)		(818,969)
	$	-

On October 17, 2017 the Company issued an unsecured convertible loan for USD $1,152,289 (CAD $1,441,191), which is convertible by the holder into units of the Company at a price of USD $3.60 (CAD $4.4897) per unit. Each unit consists of one common share and one non-transferable common share purchase warrant with each warrant entitling the subscriber to acquire one additional share at a price of USD $7.20 per share for a period of five years from date of issue. On November 27, 2017, the Company issued 32,008 common shares at a price of USD $6 (CAD $7.47) per share with a fair value of USD $192,048 (CAD $244,010) for third party finder's fees regarding the convertible loan.

The convertible loan is denominated in US dollars; however, the functional currency of the Company is the Canadian dollar. Consequently, the value of the proceeds on conversion is not fixed and will vary based on foreign exchange rate movements. The convertible loan is therefore a derivative liability comprising a derivative liability relating to the conversion feature and derivative liability relating to the warrant and each are measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as non-cash gain or loss in the consolidated statement of net loss and comprehensive loss. Upon issue the fair value of the conversion feature was $708,319 and the fair value of the warrants was $732,772. $100 was allocated to the loan.

On November 27, 2017 the convertible loan for USD $1,152,289 (CAD $1,441,191) was converted by the holder into 320,080 units of the Company at a price of USD $3.60 (CAD $4.4897) per unit. Upon conversion the conversion feature was remeasured to fair value and $377,868 was credited to share capital, along with a gain on derivative liability of $330,551. Upon conversion, the warrants in the unit were also recorded as a derivative liability (Note 12).

Unsecured Convertible Loan issued October 17, 2017		**December 31, 2017**
Proceeds from issue of convertible loan (USD $1,152,289)	$	1,441,191
Amount allocated to fair value of conversion feature		(708,319)
Amount allocated to fair value of warrants		(732,772)
Conversion to common shares (Note 13)		(100)
	$	-

12. Derivative liability

The exercise price of certain warrants is denominated in US dollars; however, the functional currency of the Company is the Canadian dollar. Consequently, the value of the proceeds on exercise is not fixed and will vary based on foreign exchange rate movements. The warrants are therefore a derivative and are required to be recognized as a derivate liability and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as non-cash gain or loss in the consolidated statement of net loss and comprehensive loss. Upon exercise, the holders will pay the Company the respective exercise price for each warrant exercised in exchange for one common share of the Company and the fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants that expire unexercised will be recorded as a gain in the consolidated statement of net loss and comprehensive loss. There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants.

During the year ended December 31, 2017 the Company issued 2,000,595 warrants exercisable at prices from US$1 to US$11.70, expiring between September 30, 2019 to October 31, 2024.

A reconciliation of the changes in fair values of the derivative liability is below:

		December 31 2017
Balance, beginning	$	-
Warrants issued		3,469,421
Changes in fair value of derivative liabilities		186,269
Balance, ending	$	3,655,690

The fair value of the warrants was calculated using a Black-Scholes Option Pricing Model. The weighted average assumptions used in the Black-Scholes Option Pricing Model are:

	At Issue	**December 31 2017**
Fair value of related warrants outstanding	$ 3,469,421	$3,655,690
Risk-free interest rate	1.52%	1.66%
Expected term (in years)	3.04	2.44
Expected share price volatility	60%	60%

13. Share capital

Authorized share capital
Unlimited number of common shares without par value.

On June 22, 2016, the Company completed a stock split of one pre-split common share for five post-split shares. All information related to common shares, options and warrants presented in these financial statements and accompanying notes have been retroactively adjusted to reflect the increased number of common shares resulting from the stock split.

Issued share capital
At December 31, 2017 the Company had 47,588,209 issued and outstanding common shares (2016 – 41,783,587).

During the year ended December 31, 2016, the Company issued 13,575,200 common shares for gross proceeds of $8,375,519, with unit prices ranging from $0.3634 to $1.00. As the fair value of certain units issued was less than the fair value a share-based payment expense of $3,264,681 was recorded. Share issue costs related to these issuances was $1,604,486 and includes 1,273,512 common shares issued for finder's fees with a fair value of $823,512. The Company also received $51,500 as subscriptions for common shares.

During the year ended December 31, 2016, the Company issued 26,250 common shares for finder's fees with a fair value of $26,250.

During the year ended December 31, 2016, the Company issued 125,000 common shares in partial settlement a shareholder loan in the amount of $50,000.

During the year ended December 31, 2017, the Company issued 3,820,499 common shares for gross proceeds of $12,022,308, with unit or share prices ranging from $0.15 to USD $6.00 (CAD $7.47). Share issue costs related to these issuances was $1,466,442 and includes 214,009 common shares issued for finder's fees with a fair value of $709,521. The Company also received $750,000 as a subscription for common shares at a price of $.85 per share (Note 22).

During the year ended December 31, 2017, the Company issued 150,000 common shares for services with a fair value of $811,308 and warrants to acquire 45,045 common shares for services with a fair value of $274,408.

During the year ended December 31, 2017, upon the conversion of convertible loans with a carrying value of $1,657,846 the Company issued 1,620,114 common shares (Note 11).

Basic and fully diluted loss per share

The calculation of basic and fully diluted loss per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of $11,366,371 (2016 $8,973,347) and the weighted average number of common shares outstanding of 43,636,629 (2016 32,684,868). Fully diluted loss per share did not include the effect of stock options and warrants as the effect would be anti-dilutive.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 60,000,000. Such options will be exercisable for a period of up to 7 years from the date of grant. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company.

Options granted vest one-quarter on the first anniversary subsequent to the grant date and the remaining three-quarters vest in thirty-six equal monthly instalments commencing on the first anniversary of the grant date.

On exercise, each option allows the holder to purchase one common share of the Company.

(Expressed in Canadian dollars)

The changes in options during the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017			December 31, 2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Options outstanding, beginning	56,175,000	$	0.19	56,150,000	$	0.19
Options granted	1,120,000		1.00	100,000		0.85
Options exercised	(12,500)		0.15	-		-
Options expired and forfeited	(85,000)		1.00	(75,000)		0.40
Options outstanding, ending	57,197,500	$	0.20	56,175,000	$	0.19

Details of options outstanding as at December 31, 2017 are as follows:

Exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
	4.45 years	45,000,000	29,062,500
	4.62 years	2,662,500	1,616,146
	4.94 years	8,400,000	4,375,000
	5.18 years	25,000	11,458
	5.47 years	50,000	19,792
	6.13 years	960,000	159,375
	6.61 years	100,000	-
	4.57 years	57,197,500	35,244,271

The weighted average grant date fair value of options granted during the year ended December 31, 2017 was $0.74 (2016 $0.63). The fair value was calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	Year ended December 31, 2017
Expected life of options	5 years
Annualized volatility	60%
Risk-free interest rate	1.02% - 1.43%
Dividend rate	0%

During the year ended December 31, 2017, the Company recognized stock-based compensation expense of $889,511 (2016 - $1,461,189).

Warrants

On exercise, each warrant allows the holder to purchase one common share of the Company.

The changes in warrants during the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017			December 31, 2016		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Warrants outstanding, beginning	18,533,587	$	1.64	1,933,625	$	0.66
Warrants issued	5,185,129		4.91	16,599,962		1.75
Warrants exercised	(5,000)		2.00	-		-
Warrants outstanding, ending	23,713,716	$	2.35	18,533,587	$	1.64

(Expressed in Canadian dollars)

At December 31, 2017, all warrants outstanding were exercisable. Details of warrants outstanding as at December 31, 2017 are as follows:

Exercise price	Weighted average contractual life	Number of warrants outstanding
$0.40 CAD - $2.00 CAD	3.35 years	21,723,121
$1.00 USD - $12.00 USD	0.26 years	2,000,595

The fair value of the warrants issued as part of the third party finder's fee at issue date on March 29, 2017 was $3,223 as calculated using the Black-Scholes option pricing model with the same assumptions used for stock options.

The fair value of the warrants issued for consulting services at issue date on September 30, 2017 was $274,407 as calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	Year ended December 31, 2017
Expected life of warrants	2 years
Annualized volatility	60%
Risk-free interest rate	1.52%
Dividend rate	0%

14. Reserves

Share-based payment reserve
The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options, or warrants expire unexercised, the amount remains in the share-based payment reserve account.

Equity component reserve
The equity payment reserve records items recognized as the equity component of convertible loans until such time that the loans are converted, at which time the corresponding amount will be transferred to share capital. If the loans are repaid, the amount remains in the equity payment reserve account.

15. General and administrative expenses

	December 31, 2017	December 31, 2016
Rent	$ 269,716	$ 141,957
Office expenses	345,986	113,158
Legal and professional	912,347	643,725
Consulting fees	405,176	186,437
Investor relations	113,256	-
Salaries	326,770	120,558
	$ 2,373,251	$ 1,205,835

16. Research and development expenses

	December 31, 2017	December 31, 2016
Labour	$ 1,971,946	$ 1,715,562
Materials	2,763,355	1,266,730
Government grants	(304,914)	(203,997)
	$ 4,430,387	$ 2,778,295

(Expressed in Canadian dollars)

17. Sales and marketing expenses

	December 31, 2017	December 31, 2016
Consulting	$ 143,275	$ 35,847
Marketing	182,723	93,345
Salaries	305,383	80,263
	$ 631,381	$ 209,455

18. Segmented information

The Company operates in two reportable business segments in Canada.

The two reportable business segments offer different products, require different production processes, and are based on how the financial information is produced internally for the purposes of making operating decisions. The following summary describes the operations of each of the Company's reportable business segments:

- Electric Vehicles – development and manufacture of electric vehicles for mass markets, and
- Custom build vehicles – development and manufacture of high end custom built vehicles.

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 Dec 31, 2017		Year ended December 31, 2016	
	Electric Vehicles	Custom Built Vehicles	Electric Vehicles	Custom Built Vehicles
Revenue	$ -	$ 109,173	$ -	$ -
Gross profit	-	45,223	-	-
Operating expenses	9,473,794	60,585	8,942,022	-
Other items	1,879,208	(1,992)	31,325	-
Net and comprehensive loss	11,353,002	13,370	8,973,347	-
Inventory	-	232,903	-	-
Plant and equipment	$ 1,370,350	$ 23,333	$ 225,269	$ -

19. Related party transactions

Related party balances

The following amounts are due to related parties

	December 31, 2017	December 31, 2016
Shareholder loan	$ 10,383	$ -
Due to related parties (Note 7)	16,814	79,904
	$ 27,197	$ 79,904

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	December 31, 2017	December 31, 2016
Consulting fees	$ 18	$ 136,500
Salary	280,167	45,000
Deferred salary for CEO	-	30,000
Stock-based compensation	659,228	1,238,013
	$	$ 1,449,513

20. Financial instruments and financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash is deposited in bank accounts held with major financial institutions in Canada. As most of the Company's cash is held by one financial institution there is a concentration of credit risk. This risk is managed by using major financial institutions that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of government grant and refundable government goods and services taxes.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's source of funding has been shareholder loans and the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2017 and 2016:

At December 31, 2017	Within one year	Between one and five years	More than five years
Bank loan	$ 123,637	$ -	$ -
Trade payables	474,334	-	-
Customer deposits	447,071	-	-
Convertible loan	-	-	-
Shareholder loan	10,383		
Promissory note	1,500,000	-	-
	$ 2,555,425	$ -	$ -

At December 31, 2016	Within one year	Between one and five years	More than five years
Trade payables	$ 150,305	$ -	$ -
Customer deposits	169,500	-	-
Shareholder loan	243,676	-	-
	$ 563,481	$ -	$ -

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in US dollars while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars:

		December 31, 2017		December 31, 2016
Cash and cash equivalents	$	5,596,635	$	98,762
Trade payables		(138,794)		(4,804)
	$	5,457,841	$	93,958

Based on the above net exposures, as at December 31, 2017, a 10% change in the US dollars to Canadian dollar exchange rate would impact the Company's net loss by $545,784 (2016 - $9,396).

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of twelve months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $18,950 for the year ended December 31, 2017 (2016 - $32,499).

Classification of financial instruments
Financial assets included in the statement of financial position are as follows:

		December 31, 2017		December 31, 2016
Loans and receivables:				
Cash and cash equivalents	$	8,610,996	$	3,916,283
Other receivables		243,639		271,284
	$	8,854,635	$	4,187,567

Financial liabilities included in the statement of financial position are as follows:

		December 31, 2017		December 31, 2016
Non-derivative financial liabilities:				
Bank loan	$	123,637	$	-
Trade payable		474,334		150,305
Customer deposits		447,071		169,500
Convertible loan		-		243,676
Shareholder loan		10,383		-
Promissory note		1,500,000		-
Derivative financial liabilities:				
Warrant derivative liability		3,655,686		-
	$	6,271,111	$	563,481

Fair value
The fair value of the Company's financial assets and liabilities approximates the carrying amount.
Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial liabilities measured at fair value at December 31, 2017 consisted of the derivative liability, which is measured using level 3 inputs.

The fair value of the derivative liability was calculated using the Black-Scholes Option Pricing Model using historical volatility as an estimate of future volatility. At December 31, 2017, if the volatility used was increased by 10% the impact would be an increase to the derivate liability of $482,021 with a corresponding increase in the net and comprehensive loss.

21. Capital management

The Company's policy is to maintain a strong capital base so as to safeguard the Company's ability to maintain its business and sustain future development of the business. The capital structure of the Company consists of equity. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

22. Subsequent events

On January 5, 2018, the Company completed a private placement of 1,000,000 common shares at a price of $0.85 per share for gross proceeds of $850,000. The Company incurred share issue costs of $85,000 relating to this private placement.

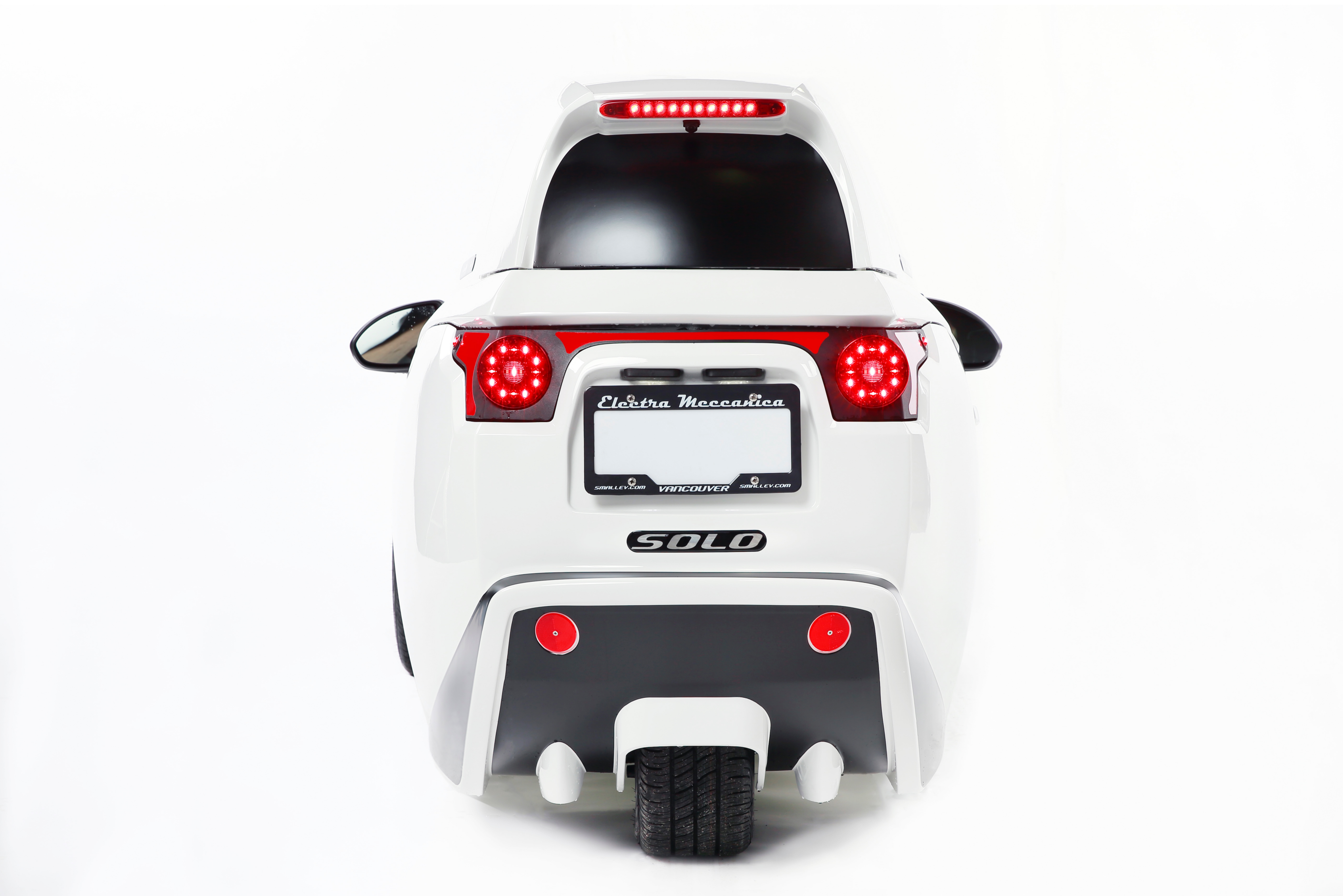
On January 5, 2018 the Company granted stock options to acquire 835,000 common shares of the Company at an exercise price of USD 4.80 per share for a period of 7 years. The options vest over a period of 4 years.

On January 5, 2018, the Company completed a private placement of 400,000 units at a price of USD $4.20 per unit for gross proceeds of USD $1,680,000 (CAD $2,092,456). Each unit consists of one common share and one non-transferable common share purchase warrant with each warrant entitling the subscriber to acquire one additional share at a price of USD $8.40 per warrant share until January 21, 2019. The Company incurred share issue costs of USD $201,600 (CAD $248,874) relating to this private placement.

On January 28, 2018 the promissory note for $1,500,000 relating to the acquisition of Intermeccanica (Note 7) was paid in full.

On January 29 2018, the Company completed a private placement of 114,274 common shares at a price of $5.18 per unit for gross proceeds of $591,941. On January 29, 2018, the Company issued 4,571 common shares at a price of $5.18 per share for third party finder's fees relating to this private placement. Additionally, the Company paid third party finder's fees of $35,516 relating to this private placement.

On February 19, 2018 the Company issued 12,395 common shares pursuant the exercise of stock options at $1 per share for proceeds of $12,395.



ElectraMeccanica Vehicles Corp.
102 East 1st Avenue
Vancouver, BC, Canada V5T1A4
www.EMVauto.com