
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **August 2020**

Commission File No. **001-38612**

ELECTRAMECCANICA VEHICLES CORP.

(Translation of registrant's name into English)

102 East 1st Avenue

Vancouver, British Columbia, Canada, V5T 1A4

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)

Attached as Exhibit 99.1 is our report for the quarter ended June 30, 2020. The information in this report on Form 6-K and the exhibits hereto are incorporated by reference into: (i) our registration statement on Form F-3 ([333-227883](#)), originally filed on October 18, 2018, and the prospectus supplement thereto filed on July 14, 2020; and (ii) our registration statement on Form F-3 ([333-229562](#)), originally filed on February 8, 2019, and the prospectus thereto filed on March 1, 2019.

Exhibits

Exhibit No.

Exhibit

99.1	Quarterly Report for the six months ended June 30, 2020.
99.2	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
99.3	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ELECTRAMECCANICA VEHICLES CORP.

Date: August 11, 2020.

By: /s/ Baljinder K. Bhullar
Name: Baljinder K. Bhullar
Title: Chief Financial Officer and a Director
(Principal Financial Officer and Principal Accounting Officer)

ELECTRAMECCANICA VEHICLES CORP.

REPORT ON FORM 6-K FOR THE QUARTER ENDED JUNE 30, 2020

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INTRODUCTION

Currency of Presentation and Certain Defined Terms

Unless the context otherwise requires, in this report the term(s) “we”, “us”, “our”, “Company”, “our company”, “ElectraMeccanica” and “our business” refer to Electrameccanica Vehicles Corp.

We completed a two-for-one reverse stock split on May 15, 2018. All share and per share information in this report has been adjusted to reflect this reverse stock split on a retrospective basis.

All references to “\$” or “dollars” are expressed in Canadian dollars unless otherwise indicated.

Our financial statements are prepared in Canadian dollars and presented in accordance with International Financial Reporting Standards, or “IFRS”, as issued by International Accounting Standards Board (“IASB”). In this report any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

Forward-Looking Statements

This report contains statements that constitute “forward-looking statements”. Any statements that are not statements of historical facts may be deemed to be forward-looking statements. These statements appear in a number of different places in this report and, in some cases, can be identified by words such as “anticipates”, “estimates”, “projects”, “expects”, “contemplates”, “intends”, “believes”, “plans”, “may”, “will” or their negatives or other comparable words, although not all forward-looking statements contain these identifying words.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions made in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors that we believe to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Management believes that the assumptions and expectations reflected in such forward-looking statements are reasonable.

Although management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. The forward-looking statements might not prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. We wish to advise you that these cautionary remarks expressly qualify, in their entirety, all forward-looking statements attributable to our Company or persons acting on our behalf. We do not undertake to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such statements, except as, and to the extent required by, applicable securities laws. You should carefully review the cautionary statements and risk factors contained in this report and other documents that we may file from time to time with the securities regulators.

Implications of Being a Foreign Private Issuer

We are considered a foreign private issuer. In our capacity as a foreign private issuer, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. We are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. In addition, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information.

We may take advantage of these exemptions until such time as we are no longer a foreign private issuer. We would cease to be a foreign private issuer at such time as more than 50% of our outstanding voting securities are held by U.S. residents and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents; (ii) more than 50% of our assets are located in the United States; or (iii) our business is administered principally in the United States.

We have taken advantage of certain reduced reporting and other requirements in this report that are available to foreign private issuers and not to U.S. companies. Accordingly, the information contained herein may be different than the information you receive in a quarterly report on Form 10-Q from public companies required to report as U.S. companies in which you hold equity securities.

PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

The selected historical consolidated financial information set forth below has been derived from our financial statements for the six months ended June 30, 2020 and for the fiscal years ended December 31, 2019, 2018, 2017 and 2016.

Consolidated Statement of Net Loss

	Six months ended June 30, 2020	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Revenues	\$ 133,489	\$ 775,821	\$ 777,302	\$ 109,173	-
Gross Profit/(loss)	\$ (72,428)	\$ 129,380	\$ 202,130	\$ 45,223	-
Net Loss	\$ 14,844,526	\$ 30,742,311	\$ 10,038,145	\$ 11,366,372	\$ 8,973,347
Loss per Share – Basic and Diluted	\$ 0.36	\$ 0.85	\$ 0.38	\$ 0.26	\$ 0.27

Consolidated Statements of Financial Position

	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 51,252,752	\$ 11,095,848	\$ 18,926,933	\$ 8,610,996	\$ 3,916,283
Current Assets	\$ 59,091,177	\$ 18,867,905	\$ 22,807,135	\$ 10,007,684	\$ 4,437,152
Total Assets	\$ 70,575,052	\$ 30,281,892	\$ 29,480,731	\$ 12,661,381	\$ 4,787,766
Current Liabilities	\$ 2,255,162	\$ 3,388,987	\$ 1,821,668	\$ 3,354,675	\$ 881,176
Total Liabilities	\$ 13,009,050	\$ 11,319,911	\$ 6,574,543	\$ 7,010,365	\$ 881,176
Shareholders' Equity	\$ 57,566,002	\$ 18,961,981	\$ 22,906,188	\$ 5,651,016	\$ 3,906,590

Our interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019 are attached at the end of this Quarterly Report forming Exhibit 99.1.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

General

The following management's discussion and analysis, prepared for the quarter ended June 30, 2020, is a review of our operations, current financial position and outlook and should be read in conjunction with our annual audited financial statements for the year ended December 31, 2019 and the notes thereto. Amounts are reported in Canadian dollars based upon financial statements prepared in accordance with IFRS as issued by the IASB.

The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates or other forward-looking statements under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our actual results may differ materially.

This report contains forward-looking statements about our business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. The expectations indicated by such forward-looking statements might not be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, our actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, the ability of our partners to produce our electric vehicles, tariffs and other trade matters, the acceptance of our electric vehicles, our ability to create and expand our customer base, management's ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this report, words such as "believes", "expects", "intends", "plans", "anticipates", "estimates" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Our Company

Corporate Structure and Principal Executive Offices

We were incorporated on February 16, 2015, under the laws of the Province of British Columbia, Canada, and have a December 31st fiscal year end. Our principal activity is the development and manufacturing of electric vehicles (“EVs”).

Our principal executive offices are located at 102 East 1st Avenue, Vancouver, British Columbia, Canada, V5T 1A4. Our telephone number is (604) 428-7656. Our website address is www.electrameccanica.com. Our registered and records office is located at Suite 1500, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, Canada, V6E 4N7.

We have four subsidiaries: InterMeccanica International Inc. (“InterMeccanica”), a British Columbia, Canada, corporation; EMV Automotive USA Inc., a Nevada corporation; SOLO EV LLC, a Michigan limited liability company; and EMV Automotive Technology (Chongqing) Ltd., a People’s Republic of China corporation.

Additional information related to us is available on SEDAR at www.sedar.com and www.electrameccanica.com. We do not incorporate the contents of our website or of sedar.com into this report.

Overview

We are a development-stage electric vehicle, or EV, designer and manufacturer company located in Vancouver, British Columbia, Canada. Our initial product line targets urban residents seeking to commute in an efficient, cost-effective and environmentally friendly manner.

Our first flagship EV is the **SOLO**, a single seat vehicle, of which we have built 64 prototype vehicles in-house as of Aug 11, 2020 and approximately 56 pre-production vehicles with our manufacturing partner, Zongshen Industrial Group Co., Ltd. (“Zongshen”). We have used some of these pre-production vehicles as prototypes and for certification purposes, have delivered some to customers and have used others as test drive models in our showroom. We believe our schedule to mass produce EVs over the near term, combined with our subsidiary InterMeccanica’s, 61-year history of automotive design, manufacturing and deliveries of motor vehicles to customers, significantly differentiates us from other early and development stage EV companies.

To support our near-term production, we have entered into a manufacturing agreement with Zongshen, acting through its wholly-owned subsidiary. Zongshen is an affiliate of Zongshen Power Machinery Co., Ltd., a large-scale scientific and technical enterprise which designs, develops, manufactures and sells a diverse range of motorcycles and motorcycle engines in China. Zongshen (Canada) Environtech Ltd., a subsidiary of Zongshen, has previously purchased common shares and warrants to purchase common shares from us, and beneficially owns approximately 4% of our common shares.

We have two other EV candidates in early design development stage, namely, the Super**SOLO**, a sports car model of the **SOLO**, and the Tofino, an all-electric, two-seater roadster.

We have devoted substantial resources to create an affordable EV which brings significant performance and value to our customers. To this end, we envision the **SOLO** carrying a manufacturer’s suggested retail price of US\$18,500, prior to any surcharge to cover tariffs (discussed below), and being powered by a high-performance electric rear drive motor which enables the **SOLO** to achieve:

- a top speed of 80 mph and an attainable cruise speed of 68 mph resulting from its lightweight aerospace composite chassis;
- acceleration from 0 mph to 60 mph in approximately ten seconds; and
- a range of up to 100 miles generated from a lithium ion battery system that requires up to four hours of charging time on a 220-volt charging station (up to eight hours from a 110-volt outlet) that utilizes approximately 8.64 kW/h.

Unique to Canada, the **SOLO** is, and the Super**SOLO**, if developed, will be under the three-wheeled vehicle category and are subject to the safety standards listed in Schedule III of the Canadian Motor Vehicle Safety Regulations. (See “Government Regulation” below.)

For sale into the United States, we and our vehicles must meet the applicable parts of the U.S. Code of Federal Regulations Title 49 —Transportation. Since the U.S. regulations do not have a specific class for three-wheeled “autocycles”, the **SOLO** and the Super**SOLO**, if developed, fall under the definition of a motorcycle pursuant to Sec. 571.3 of 49 CFR Part 571. However, currently a motorcycle license is not required to drive them in all but the States of Alaska, Florida, New York and Massachusetts. Motorcycle helmets must be worn while operating in the States of New York and Massachusetts. Helmets are also required if the driver is under 18 years old in the States of Alaska, Montana, Colorado and New Hampshire. (See “Government Regulation” below.)

Industry Overview

Investment in clean technology has been trending upwards for several years as nations, governments and societies overall become more aware of the damaging effects that pollution and greenhouse gas emissions have on the environment. EVs are a growing segment of this clean technology movement. An EV is any vehicle that does not solely operate on gas or diesel. Within this alternative vehicle group there are sub-categories of alternative vehicles that utilize different innovative technologies, including battery electric vehicles (“BEV”) and plug-in hybrid electric vehicles (“PHEV”). Our products are BEVs.

Competitive Factors

The EV market is evolving and companies within it must be able to adapt without jeopardizing the timing, quality or quantity of their products. Other manufacturers have entered the electric vehicle market and we expect additional competitors to enter this market within the next several years. As they do, we expect that we will experience significant competition. With respect to the **SOLO**, we face strong competition from established automobile manufacturers, including manufacturers of EVs such as the Tesla Model 3, the Chevrolet Bolt and the Nissan Leaf.

Most of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing and other resources than we do, and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Virtually all of our competitors have more extensive customer bases and broader customer and industry relationships than we do. In addition, almost all of these companies have longer operating histories and greater name recognition than we do.

Furthermore, certain large manufacturers offer financing and leasing options on their vehicles and also have the ability to market vehicles at a substantial discount, provided that the vehicles are financed through their affiliated financing company. We do not currently offer any form of direct financing on our vehicles. The lack of our direct financing options and the absence of customary vehicle discounts could put us at a competitive disadvantage.

We expect competition in our industry to intensify in the future in light of increased demand for alternative fuel vehicles, continuing globalization and consolidation in the worldwide automotive industry. Our ability to successfully compete in our industry will be fundamental to our future success in the EV market and our market share. We might not be able to compete successfully in our market. Increased competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share, which could harm our business, prospects, financial condition and operating results.

We believe that our extensive managerial and automotive experience, production capability and unique product offering give us the ability to successfully operate in the EV market in a way that many of our competitors cannot. In particular, we believe that our competitive advantages include:

- *Extensive in-house development capabilities:* Our acquisition of InterMeccanica in 2017 enables us to leverage InterMeccanica’s extensive 61 years of experience in vehicle design, manufacture, sales and customer support. InterMeccanica was founded in Turin, Italy, in 1959 as a speed parts provider and soon began producing in-house designed, complete vehicles like the Apollo GT, Italia, Murena, Indira and the Porsche 356 replica. InterMeccanica’s former owner, Henry Reisner, is our President and Chief Operating Officer and one of our directors, and, together with his family, is the second largest shareholder in our Company. We have integrated InterMeccanica’s staff with the research and development team that we had prior to the acquisition to develop and enhance current and future model offerings;
- *In-house production capabilities:* We have the ability to manufacture our own products on a non-commercial scale. As of August 11, 2020, we have produced 64 prototype **SOLOs** at our facilities in Vancouver, British Columbia, and 56 pre-production **SOLOs** with our manufacturing partner Zongshen;
- *Commercial production of the **SOLO** anticipated to commence during 2020:* We have an agreement with Zongshen whereby they have agreed to produce a total of 75,000 **SOLOs** over a three-year period once we have started full scale production. To date, Zongshen has produced approximately 56 pre-production production vehicles;
- *Unique product offering:* The **SOLO**’s manufacturer suggested retail price of US\$18,500, prior to any surcharge for tariffs, is far below the retail price of EVs offered by those who we consider to be our principal competitors and, as a consequence, we believe that the **SOLO** compares favorably against them; and
- *Management expertise:* We have selected our management with an eye towards providing us with the business and technical expertise needed to be successful. They include Paul Rivera, our Chief Executive Officer, Bal Bhullar, our Chief Financial Officer, Henry Reisner, our President and Chief Operating Officer, and Isaac Moss, our Chief Administrative Officer and Corporate Secretary. A number of these key employees and consultants have significant experience in the automobile manufacturing and technology industries. We have supplemented additional expertise by adding consultants and directors with corporate, accounting, legal and other strengths.

Reservation system

We cannot guarantee that a significant number of the pre-orders and expressions of interest, if any, will become binding or result in sales. We have an online reservation system which allows a potential customer to reserve a **SOLO** by paying a refundable US\$250 deposit and a Tofino by paying a refundable US\$1,000 deposit. Once reserved, the potential customer is allocated a reservation number and the reservation will be fulfilled as the respective vehicles are produced. We have achieved ours pre-order book through an online “direct sales to customers and corporate sales” platform as well as a show room at our headquarters in Vancouver. We plan on expanding this model and will be opening similar stores in key urban areas. We have recently opened three U.S. corporate stores located in Los Angeles and Scottsdale.

We will earn revenue once a vehicle has been delivered to the customer who has pre-ordered their vehicle. Each order is placed in line as received and fulfilled once the vehicle becomes available. The customer may, at any time prior to delivery, for any reason, cancel their order and have their deposit returned. We do not consider any order as being secured until the vehicle has been delivered and full receipt of the remaining balance of the vehicle purchase price has been received.

Strategy

Our near-term goal is to commence and expand sales of the **SOLO** while continuing to develop our other EVs. We intend to achieve this goal by:

- *Beginning commercial production of the **SOLO**:* We anticipate that Zongshen, our manufacturing partner, will begin producing the **SOLO** for deliveries to customers during 2020;
- *Increasing orders for our EVs:* We have an online reservation system which allows a potential customer to reserve a **SOLO** by paying a refundable US\$250 deposit, and a Tofino or Super **SOLO** by paying a refundable \$1,000 deposit. Once reserved, the potential customer is allocated a reservation number and, although we cannot guarantee that such pre-orders will become binding and result in sales, we intend to fulfill the reservations as the respective vehicles are produced. We maintain certain refundable deposits from various individuals for **SOLOs**, Tofinos and Super **SOLOs**. As part of our “Match My Deposit” program, we offer customers who have placed deposits for other electric vehicles a credit of up to \$1,000 towards the purchase of a **SOLO**, which is initially credited towards the buyer’s deposit;
- *Having sales and services supported by local corporate stores:* We will monitor all cars in real time via telematics which provides early warning of potential maintenance issues; and
- *Expanding our product offering:* In parallel with the production and sale of the **SOLO**, we aim to continue the development of our other proposed products, including the Tofino, a two-seater sports car in the expected price range of \$50,000 to \$60,000.

We have achieved our pre-order book through an online “direct sales to customers and corporate sales” platform, as well as a store and showroom at our headquarters in Vancouver, British Columbia, Canada. We plan on expanding this model and will be opening similar stores in key urban areas. We have recently opened our three U.S. corporate stores located in Los Angeles and Scottsdale. In addition, we maintain certain expressions of interest arising from non-binding letters of interest, including certain deposits associated with the same, from certain proposed dealers and/or distributors for our vehicles representing their collective expressions of interest (should we choose to contract with them) for the purchase from or the sale on our behalf of **SOLOs**, and Tofinos and Super **SOLOs**, if developed.

Pre-orders and expressions of interest

As at August 11, 2020, we maintained certain deposits from various individuals for **SOLOs**, Tofinos and Super **SOLOs**. As part of our “Match My Deposit” program, we offer customers who have placed deposits for other electric vehicles a credit of up to \$1,000 towards the purchase of a **SOLO**, which is initially credited towards the buyer’s deposit. In addition, we also maintain certain expressions of interest arising from non-binding letters of interest, including certain deposits associated with the same, from certain proposed dealers and/or distributors for our vehicles representing their collective expressions of interest (should we choose to contract with them) for the purchase from or the sale on our behalf of **SOLOs** and Tofinos, if developed.

Marketing Plan

We recognize that marketing efforts must be focused on customer education and establishing brand presence and visibility which is expected to allow our vehicles to gain traction and subsequently gain increases in orders. Our marketing and promotional efforts emphasize the **SOLO**’s image as an efficient, clean and affordable EV for the masses to commute on a daily basis.

A key point to the marketing plan is to target metropolitan areas with high population density, expensive real estate, high commuter traffic load and pollution levels which are becoming an enormous concern. Accordingly, our management has identified California, Washington, Oregon and Southern Florida as areas with cities that fit the aforementioned criteria, and we have plans to seek out suitable locations for additional stores there.

We plan to develop a marketing strategy that will generate interest and media buzz based on the **SOLO**'s selling points. Key aspects of our marketing plan include:

- *Digital marketing:* Organic engagement and paid digital marketing media with engaging posts aimed to educate the public about EVs and develop interest in our **SOLO**, which to date has had positive traction;
- *Earned media:* We have already received press coverage from several traditional media sources and expect these features and news stories to continue as we embark on our commercial launch;
- *Investor Relations/Press Releases:* Our in-house investor relations team will provide media releases/kits for updates and news on our progress;
- *Industry shows and events:* We displayed the **SOLO** at the Vancouver International Autoshow in March 2017, the Consumer Electronics Show in Las Vegas in January 2018 and the Vancouver International Autoshow in March 2018 and 2019. Promotional merchandise giveaways are expected to enhance and further solidify our branding in consumer minds. Computer stations and payment processing software will be readily on hand at such events to accept **SOLO** reservations; and
- *First-hand experience:* Test-drives and/or public viewings are available at our existing stores in the Vancouver downtown core, Los Angeles and Scottsdale.

We anticipate that our marketing strategy and tactics will evolve over time as our **SOLO** gains momentum and we identify appropriate channels and media that align with our long-term objectives. In all of our efforts we plan to focus on the features that differentiate our **SOLO** from the existing EVs in the market.

Service model

We sell our vehicles online via our website (www.electrameccanica.com) while we develop our planned corporate owned stores in key markets. As each store is established any vehicles sold within such store's designated territory will be delivered to such store to fulfill online orders as well as such store's orders.

We have not yet identified where we hope to establish corporate owned stores or other distribution arrangements. The establishment of stores will depend on regional demand, available candidates and local regulations. We are currently accepting expressions of interest and applications for stores from individuals, and do not have any franchise or dealer agreements. Our vehicles will initially be available directly from us.

We plan to only establish and operate corporate owned stores in those states in the United States that do not restrict or prohibit certain retail sales models by vehicle manufacturers.

We are a development-stage EV company focusing on the market demand for EVs that are efficient, cost-effective and environmentally friendly methods for urban residents to commute and fleets. We believe that our flagship EV called the **SOLO** is the answer to such market demand. In addition, we have two other EV candidates in early design development stage, the Super **SOLO** and the Tofino.

Potential Impact of the COVID-19 Pandemic

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada and China, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19.

Our manufacturing partner, Zongshen, reports that its operations have not been materially affected at this point, and we anticipate that Zongshen will remain on track to begin producing the **SOLO** for deliveries to customers during 2020. However, significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our and Zongshen's operations, and on the global economy as a whole. Government-imposed restrictions on travel and other "social-distancing" measures, such as restrictions on assembly of groups of persons, have the potential to disrupt supply chains for parts and sales channels for our products, and may result in labor shortages.

It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. We will continue to monitor the COVID-19 situation closely, and intend to follow health and safety guidelines as they evolve.

Potential Impact of Tariffs

A growing trade dispute between the United States and China could increase the proposed sales price of our products or decrease our profits, if any. In June 2018, the current U.S. administration imposed tariffs on \$34 billion of Chinese exports, including a 25% duty on cars built in China and shipped to the United States. Following the imposition of these tariffs, China imposed additional tariffs on U.S. goods manufactured in the United States and exported to China. Subsequently, the U.S. administration indicated that it may impose tariffs on up to US\$500 billion of goods manufactured in China and imported into the United States. These tariffs may escalate a nascent trade war between China and the United States. This trade conflict could affect our business because we intend to mass produce the **SOLO** in China and our intended principal market is the West Coast of North America. If a trade war were to escalate, or if tariffs were imposed on any of our products, we could be forced to increase the proposed sales price of such products or reduce the margins, if any, on such products.

Recently, U.S. Customs and Border Protection ruled that the **SOLO** has a classification under the Harmonized Tariff Schedule of the United States that applies to passenger vehicles for less than 10 people with only electric motors. The total applicable duty for this classification was recently raised to 27.5% (2.5% is a “most-favored-nation” tariff for this classification and 25% derives from this classification being on the China 301 List 1). As indicated above, we envision that the base purchase price for our **SOLO** will be approximately US\$18,500. As the landscape for tariffs involving imports to the United States from the People’s Republic of China has been changing over the past year, and may change again, we have not determined how to adjust the base purchase price in the United States in response to the recent tariff increase.

On January 15, 2020, the United States and the People’s Republic of China (“PRC”) signed an Economic and Trade Agreement commonly referred to as the “Phase 1 Trade Agreement”, which came into force on February 14, 2020. Notwithstanding the coming into force of the Phase 1 Trade Agreement, the United States will maintain its tariffs on cars built in China and shipped to the United States.

Going Concern

Our principal activity is the development and manufacture of electric vehicles, and we are still in the development stage. We also manufacture high-end custom-built vehicles.

Our 2020 financial statements have been prepared on the assumption that we will continue as a going concern, meaning we 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 June 30, 2020, we had not commenced commercial production of the **SOLO** single seat electric vehicle and are not able to finance day-to-day activities through operations. Our continuation as a going concern depends upon the successful results from our electric vehicles manufacturing activities and our ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

We have yet to begin mass production or the commercial delivery of our first electric vehicle. As at June 30, 2020, there have been no revenues from the sale of electric vehicles as any amounts received from the sale of pre-production electric vehicles were netted off against research and development costs as cost recovery. We have had minimal revenue from the sale of custom cars.

We intend to derive revenues from the sale of our **SOLO**, Tofino and other intended EVs vehicles. The Tofino is still in early design development stage, and the first commercially-produced **SOLOs** will be delivered to customers during 2020.

We incurred a net loss and comprehensive loss of \$14,844,526 and \$14,971,979, respectively, during the six months ended June 30, 2020, and a net loss and comprehensive loss of \$30,742,311 and \$30,676,101, respectively, during the year ended December 31, 2019. We had cash and cash equivalents and a working capital surplus of \$51,252,752 and \$56,836,015, respectively, as at June 30, 2020, and of \$11,095,848 and \$15,478,918, respectively, at December 31, 2019. Our ability to meet our obligations as they fall due and to continue to operate as a going concern depends on the continued financial support of the creditors and the shareholders.

These factors indicate the existence of a material uncertainty that casts substantial doubt about our ability to continue as a going concern.

Management intends to finance our operations over the next 12 months through private placement and/or public offerings of equity capital, strategic investments and revenues to be derived from the sale of electric vehicles and high-end custom vehicles.

Management does not intend to liquidate the entity or to cease operations and is operating in a highly competitive industry.

Events and conditions that may affect the going concern assumption

Financing

Our ability to continue as a going concern will depend on our continued ability to raise capital on acceptable terms. We incurred losses of \$14,844,526 in the six months ended June 30, 2020, and \$30,742,311 in the year ended December 31, 2019, and anticipate incurring losses in our 2020 fiscal year. We had negative operating cash flows of \$8,970,531 for the six months ended June 30, 2020, and \$22,501,917 for the year ended December 31, 2019, and we anticipate negative operating cash flows during our current fiscal year. Although we had net current assets of \$56,836,015, including cash and cash equivalents of \$51,252,752, at June 30, 2020, and anticipate deriving revenue this fiscal year from the sale of EVs and high-end custom cars, we believe that we will need additional financing to continue as a going concern. If we are unable to continue to access private and public capital on terms that are acceptable to us, we may be forced to curtail or cease operations.

Market conditions, trends or events

Our ability to continue as a going concern also depends on market conditions outside of our control. 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. Failure to keep up with advances in electric vehicle technology would result in a decline in the Company's competitive position which may materially and adversely affect our business, prospects, operating results and financial condition.

Selected Financial Information

	Six Months Ended June 30, 2020 \$	Six Months Ended June 30, 2019 \$	Year Ended December 31, 2019 \$	Year Ended December 31, 2018 \$
Revenue	133,489	261,266	775,821	777,302
Gross Profit/(loss)	(72,428)	(1,538)	129,380	202,130
Operations:				
Amortization	445,187	529,980	1,066,906	278,621
General & administration exp.	4,357,767	3,504,338	8,088,529	5,490,938
Research & development exp.	3,446,664	3,559,060	9,514,520	5,566,036
Sales & marketing exp.	762,283	812,538	1,743,855	1,386,901
Stock-based compensation exp.	3,950,082	2,551,027	6,816,321	3,228,508
Share-based payment exp.	-	245,092	213,720	1,109,531
Subtotal	12,961,983	11,202,885	27,443,851	17,060,535
Issuance cost allocated to derivative liability	Nil	Nil	Nil	1,493,554
Changes in fair value of derivative liability	2,912,203	5,520,391	2,926,392	(7,707,051)
Foreign exchange loss (gain)	(504,031)	666,569	795,172	(605,096)
Net loss for the period	14,844,526	17,348,503	30,742,311	10,038,145
Basic & diluted loss per Share	0.36	0.50	0.85	0.38
Balance sheet				
Working capital	56,836,015	29,393,966	15,478,918	20,985,467
Total assets	70,575,052	40,731,351	30,281,892	29,480,731
Total long-term liabilities	10,753,888	10,814,326	7,930,924	4,752,875

Summary of Quarterly Results

The following table sets forth selected certain of our financial information for each of our last eight quarters:

Quarter Ending	Expenses \$	Net Income (Loss) \$	Basic and diluted earnings (loss) per share \$
June 30, 2020	(6,100,203)	(12,936,345)	(0.28)
March 31, 2020	(6,861,780)	(1,908,181)	(0.05)
December 31, 2019	(8,370,259)	(8,060,187)	(0.22)
September 30, 2019	(7,870,707)	(5,333,621)	(0.14)
June 30, 2019	(4,931,140)	3,281,362	0.09
March 31, 2019	(6,271,745)	(20,629,865)	(0.62)
December 31, 2018	(4,785,088)	(2,127,636)	(0.07)
September 30, 2018	(3,975,247)	(2,890,320)	(0.11)

Results of Operations for the Three Months Ended June 30, 2020

We had revenues of \$16,676 and \$159,862 for the three months ended June 30, 2020 and 2019, respectively, all of which was derived from sales of custom cars by our subsidiary, InterMeccanica. The cost of revenue was \$38,822 (2019: \$166,652) providing a gross loss of \$22,146 (2019: \$6,790) or -132.8% (2019: -4.2%). Revenue for custom build vehicles is recognized when the Company has transferred control to the customer which generally occurs upon shipment. Currently, InterMeccanica has six Roadsters/Speedsters in various stages of production. The following table indicates the number of vehicles produced for either delivery to customers, testing or marketing purposes.

Vehicle Type	Production Three Months Ended		Customer Deliveries Three Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Roadster/Speedster	0	5	1	Nil
SOLO	0	5	1	5

During the three months ended June 30, 2020, we incurred a comprehensive loss of \$12,804,677 compared to comprehensive income of \$3,303,266 for the corresponding period in 2019. The largest expense items that resulted in comprehensive loss for the three months ended June 30, 2020 were:

- General and administrative expenses for the three months ended June 30, 2020 were \$2,145,947 compared to \$1,591,663 for the three months ended June 30, 2019. The following items are included in general and administrative expenses:
 - Rent expenses increased to \$90,119 for the three months ended June 30, 2020, from \$73,609 for the corresponding quarter ended June 30, 2019. The increase was related property tax.
 - Office expenses decreased to \$249,746 for the three months ended June 30, 2020, from \$417,795 for the corresponding quarter ended June 30, 2019. The decrease was related to lower travel expenses.
 - Legal and Professional expenses were \$730,555 for the three months ended June 30, 2020, compared to \$316,179 for the corresponding quarter ended June 30, 2019. The increase was related to legal expenses in connection with the Company's recent at-the-market offering, annual general and special meeting of shareholders and new stock incentive plan, as well as accounting expenses in connection with transfer pricing study, SRED tax filing and recruiting fees.
 - Consulting fees were \$377,360 for the three months ended June 30, 2020, compared to \$402,027 for the corresponding quarter ended June 30, 2019. The decrease in fees related to the use of fewer consultants for investor relations and executive advisory services, offset by the increase in directors' fees.
 - Investor relations expenses, not including the consulting fees above, were \$77,490 for the three months ended June 30, 2020, compared to \$62,171 for the corresponding quarter ended June 30, 2019. The increase was related to expenses for the Company's recent annual general and special meeting of shareholders.
 - Salaries and employee related expenses increased to \$620,677 for the three months ended June 30, 2020, compared to \$319,882 for the corresponding quarter ended June 30, 2019. The increase was related to performance incentive increases to certain salaried employees and the addition of new employees due to growth of the Company.
- Research and development expenses decreased to \$1,915,118, for the three months ended June 30, 2020, compared to \$1,915,505 for the corresponding quarter ended June 30, 2019. We continue to develop our first electric vehicle, the **SOLO**. All costs related to our pre-production vehicles are being expensed to research and development.
- Sales and marketing expenses decreased to \$412,056 for the three months ended June 30, 2020, compared to \$440,538 for the corresponding quarter ended June 30, 2019. The decrease was caused by the decrease in salary and trade show related expenses, offset by the increase in consulting expenses.

- Stock-based compensation charges for the three months ended June 30, 2020 were \$1,415,524 (2019: \$551,035). We did not issue any stock options during the three months ended June 30, 2020. The stock-based compensation charges relate to stock options issued during previous quarters where charges are recognized over the stock option vesting period. We use the Black-Scholes method of calculating the stock-based compensation expense under the graded vesting method.
- Share-based payment expense for the three months ended June 30, 2020 were \$Nil (2019: \$171,101). The share-based payment charges relate to shares issued in exchange for services performed and are valued at the market price of our share price at the time of issuance.

The operating loss for the three months ended June 30, 2020 increased to \$6,122,349 (2019: \$4,937,930). The increase in operating loss was caused by the aforementioned expenses for the quarter.

We recognized a loss related to changes in the fair values of derivative liabilities of \$6,914,325 (2019: gain of \$8,546,219) during the quarter mainly caused by the increase of our share price from US\$1.04 at March 31, 2020 to US\$2.25 at June 30, 2020. Warrants priced in US dollars are classified as derivative liabilities because our functional currency is in Canadian dollars. As a result of this difference in currencies, the proceeds that will be received by us if the warrants are exercised are not fixed and will vary based on foreign exchange rates, hence the warrants are accounted for as 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 our consolidated statements of comprehensive income (loss).

We also had a foreign exchange loss of \$418,068 on net working capital (2019: \$319,359), related to the fluctuations in the US dollar as compared to the Canadian dollar.

Net loss and comprehensive loss for the three months ended June 30, 2020 was \$12,936,345 and \$12,804,677, respectively (2019: net income \$3,281,362 and comprehensive income \$3,303,266).

Results of Operations for the Six Months Ended June 30, 2020

We had revenues of \$133,489 and \$261,266 for the six months ended June 30, 2020 and 2019, respectively, all of which were derived from sales of custom cars by our subsidiary, InterMeccanica. The cost of revenue was \$205,917 (2019: \$262,804) providing a gross loss of \$72,428 (2019: \$1,538) or -54.3% (2019: -0.6%). Revenue for custom build vehicles is recognized when the Company has transferred control to the customer which generally occurs upon shipment. Currently, InterMeccanica has six Roadsters/Speedsters in various stages of production. The following table indicates the number of vehicles produced for either delivery to customers, testing or marketing purposes.

Vehicle Type	Production Six Months Ended		Customer Deliveries Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 31, 2019
	Roadster/Speedster	1	9	2
<i>SOLO</i>	0	8	1	8

During the six months ended June 30, 2020, we incurred a comprehensive loss of \$14,971,979, compared to a comprehensive loss of \$17,323,916 for the corresponding period in 2019. The largest expense items that resulted in the comprehensive loss for the six months ended June 30, 2020 were:

- General and administrative expenses for the six months ended June 30, 2020 were \$4,357,767, compared to \$3,504,338 for the six months ended June 30, 2019. The following items are included in general and administrative expenses:
 - Rent expense increased to \$207,365 for the six months ended June 30, 2020, compared to from \$195,484 for the corresponding period ended June 30, 2019. The increase was related to property tax.
 - Office expenses decreased to \$773,087 for the six months ended June 30, 2020, compared to \$774,339 for the corresponding period ended June 30, 2019. The decrease was caused by decreases in travel expenses and office supplies, offset by increases in insurance costs for both directors' and officers' liability and insurance for our pre-production cars.
 - Legal and Professional expenses were \$1,200,010 for the six months ended June 30, 2020, compared to \$821,702 for the corresponding period ended June 30, 2019. The increase was related to legal expenses in connection with the Company's recent at-the-market offering, annual general and special meeting of shareholders and new stock incentive plan, as well as accounting expenses in connection with transfer pricing study, SRED tax filing and recruiting fees.

- Consulting fees were \$773,878 for the six months ended June 30, 2020, compared to \$838,603 for the corresponding period ended June 30, 2019. The decrease in fees related to the use of fewer consultants for investor relations and executive advisory services, offset by the increase in directors' fees.
- Investor relations expenses, not including the consulting fees above, were \$219,851 for the six months ended June 30, 2020, compared to \$208,702 for the corresponding period ended June 30, 2019. The increase was related to expenses for the Company's recent annual general and special meeting of shareholders.
- Salaries and employee related expenses increased to \$1,183,576 for the six months ended June 30, 2020, compared to \$665,508 for the corresponding period ended June 30, 2019. The increase was related to performance incentive increases to certain salaried employees and the addition of new employees due to growth of the Company.
- Research and development expenses decreased to \$3,446,664 for the six months ended June 30, 2020, compared to \$3,559,060 for the corresponding period ended June 30, 2019. We continue to develop our first electric vehicle, the **SOLO**. All costs related to pre-production vehicles are being expensed to research and development.
- Sales and marketing expenses decreased to \$762,283 for the six months ended June 30, 2020, compared to \$812,538 for the corresponding period ended June 30, 2019. The decrease was caused by the decrease in trade show related expenses.
- Stock-based compensation charges for the six months ended June 30, 2020 were \$3,950,082 (2019: \$2,551,027). We did not issue any stock options during the six months ended June 30, 2020. The stock-based compensation charges relate to stock options issued during previous quarters where charges are recognized over the stock option vesting period. We use the Black-Scholes method of calculating the stock-based compensation expense under the graded vesting method.
- Share-based payment expenses for the six months ended June 30, 2020 were \$Nil (2019: \$245,942). The share-based payment charges relate to shares issued in exchange for services performed and is valued at the market price of our share price at the time of issuance.

The operating loss for the six months ended June 30, 2020 increased to \$13,034,411 (2019: \$11,204,423). The increase in operating loss was caused by the aforementioned expenses for the quarter.

We recognized a loss related to changes in the fair values of derivative liabilities of \$2,912,203 (2019: \$5,520,391) during the six month period mainly caused by the increase of our share price from US\$2.15 at December 31, 2019 to US\$2.25 at June 30, 2020. Warrants priced in US dollars are classified as derivative liabilities because our functional currency is in Canadian dollars. As a result of this difference in currencies, the proceeds that will be received by us if the warrants are exercised are not fixed and will vary based on foreign exchange rates, hence the warrants are accounted for as 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 our consolidated statements of comprehensive income (loss).

We also had a foreign exchange gain of \$504,031 on net working capital (2019: loss of \$666,569), related to the fluctuations in the US dollar as compared to the Canadian dollar.

Net loss and comprehensive loss for the six months ended June 30, 2020 was \$14,844,526 and \$14,971,979, respectively (2019: \$17,348,503 and \$17,323,916).

Liquidity and Capital Resources

Liquidity

Our operations consist of the designing, developing and manufacturing of electric vehicles. Our financial success depends upon our ability to market and sell our electric vehicles and to raise sufficient working capital to enable us to execute our business plan. Our historical capital needs have been met by the sale of our stock. Equity funding might not be possible at the times required by us. If no funds can be raised and sales of its electric vehicles do not produce sufficient net cash flow, then we may require a significant curtailment of operations to ensure our survival or we may be required to cease operations.

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. We incurred a net loss of \$14,844,526 during the six months June 30, 2020, and had a cash and cash equivalents and a working capital surplus of \$51,252,752 and \$56,836,015 respectively, as at June 30, 2020. The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern depends on the continued financial support of our creditors and shareholders. In the past the Company has relied on sales of its equity securities to meet its cash requirements. Funding from this or other sources might not be sufficient in the future to continue its operations. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to us. Failure to obtain such financing on a timely basis could cause us to reduce or terminate our operations. The above indicates the existence of a material uncertainty that may cast significant doubt on our ability to continue as a going concern.

As of June 30, 2020, we had 63,182,739 issued and outstanding shares and 96,096,639 shares on a fully-diluted basis. Our common shares and certain of our warrants began trading on the Nasdaq Capital Market on August 9, 2018.

We had \$56,836,015 of working capital surplus as at June 30, 2020, compared to \$15,478,918 of working capital surplus as at December 31, 2019. The increase in working capital resulted from cash generated from financing activities of \$49,598,921 (2019:\$18,587,118), offset by working capital used in operations of \$8,970,531 (2019: \$14,890,872) and investing activities of \$344,033 (2019: \$1,259,142) related to the additions to property, plant and equipment.

Capital Resources

As at June 30, 2020, we had cash and cash equivalents of \$51,252,752 (2019: \$11,095,848). We continue to pursue additional equity financing, although we might not ever be successful in such endeavors.

As of the date of this report, we have no outstanding commitments, other than \$1.8 million payable to our manufacturing partner, Zongshen, for the production of the *SOLO* (see note 5 to the interim condensed consolidated financial statements as at June 30, 2020). On October 16, 2017, Jerry Kroll, a director, entered into a Share Pledge Agreement with Zongshen to guarantee the Company's payment for the cost of the prototype tooling and molds estimated to be \$1.8 million through the pledge of 400,000 of our common shares at a deemed price of US\$4.00. Apart from our agreement to reimburse Mr. Kroll for liabilities under his Share Pledge Agreement, we have not pledged any of our assets as security for loans, or otherwise, and are not subject to any debt covenants.

Financings

On March 27, 2020, the Company contracted with Stifel, Nicolaus & Company, Incorporated and Roth Capital Partners, LLC (each, an "Agent", and collectively, the "Agents") to sell common shares, no par value per common share, of the Company (the "Shares") having an aggregate offering price of up to US\$30,000,000 through the Agents (the "Sales Agreement"). On July 13, 2020, the Company and the Agents amended the Sales Agreement to increase the aggregate offering price up to US\$59,500,000.

In accordance with the terms of the Sales Agreement, the Company may offer and sell Shares from time to time through the Agent selected by the Company (the "Designated Agent"), acting as sales agent or, with consent of the Company, as principal. The shares may be offered and sold by any method permitted by law deemed to be an "at the market" ("ATM") offering as defined in Rule 415 promulgated under the Securities Act, including sales made directly on or through the Nasdaq Capital Market ("Nasdaq") or on any other existing trading market for the Shares, and, if expressly authorized by the Company, in negotiated transactions.

In addition, on June 10, 2020, the Company entered into a Placement Agency Agreement with Roth Capital Partners, LLC pursuant to which Roth Capital Partners acted as the placement agent for the Company, on a commercially reasonable "best efforts" basis, in connection with the proposed placement of 10,000,000 common shares pursuant to a registered direct offering. On the same date, the Company entered into securities purchase agreements with accredited investors for the sale of 10,000,000 common shares at a price of US\$2.00 per share for aggregate proceeds of US\$20 million. The closing of the registered direct offering to place on June 12, 2020.

During the six months ended June 30, 2020, we issued the following Shares pursuant to the ATM offering under the Sales Agreement as entered into among the Company, Stifel, Nicolaus & Company, Incorporated and Roth Capital Partners, as well as pursuant to the Registered Direct Offering through Roth Capital Partners who acted as the Company's placement agent:

From March 30, 2020 to June 4, 2020, the Company issued 15,920,865 Shares for the ATM offering under the Sales Agreement for gross proceeds of \$25,257,514 (US\$18,489,939).

On June 10, 2020, the Company entered into definitive agreements with institutional investors to sell an aggregate of 10,000,000 common shares of the Company at a price of US\$2.00 per share for gross proceeds of US\$20,000,000 (the "Offering"). The Offering was priced "at market" under the rules of the Nasdaq Global Select Market. The Offering was closed on June 12, 2020. The Company received gross proceeds of \$27,174,615.

Issuance of Shares	Number of Shares Issued	Cash Proceeds
ATM offerings	15,920,865	\$ 25,257,514
Registered Direct offering	10,000,000	\$ 27,174,615
Share issuance costs	Nil	\$ (2,963,712)

Statement of Cash Flows

During the six month period ended June 30, 2020, our net cash increased by \$40,284,357 (2019: \$2,437,104), which included net cash used in operating activities of \$8,970,531 (2019: \$14,890,872), net cash used in investing activities of \$344,033 (2019: \$1,259,142), net cash provided by financing activities of \$49,598,921 (2019: \$18,587,118) and the effect of the exchange rate on cash and cash equivalents of (\$127,453) (2019: \$24,587).

Cash Flow used in Operating Activities

Cash flow used in operating activities totaled \$8,970,531 and \$14,890,872 during the six months ended June 30, 2020 and 2019, respectively. Cash used in operating activities decreased in 2020 as a result of a decrease in accounts receivable of \$150,873, a decrease in pre-paid expenses of \$252,210, an increase in inventory of \$559,507, a decrease in trade payables and accrued liabilities of \$1,279,068, an increase in customer deposits and construction contract liability of \$81,953 and a net loss during the period of \$14,844,526.

Cash Flow used in Investing Activities

During the six month period ended June 30, 2020, investing activities used cash of \$344,033 for expenditures on plant and equipment and investments in restricted cash compared to investing activities using cash of \$1,259,142 from the net result of the expenditures on plant and equipment, offset by cash provided by investments in restricted cash and proceeds from intangible assets for the six month period ended June 30, 2019.

Cash flow provided by Financing Activities

During the six month period ended June 30, 2020, financing activities provided cash of \$49,598,921 from the proceeds on issuance of common shares, interest received, interest from net investment in sublease and payment received for net investment in sublease, which was offset by cash used for interest paid, interest on lease payments, repayment of shareholder loans and repayment of leases as compared to \$18,587,118 mainly from the proceeds on issuance of common shares and proceeds from the issuance of common shares for warrants exercised for the six month period ended June 30, 2019.

Trends and Uncertainties

Due to our short operating history, except as noted below, we are not aware of any trends that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Potential Impact of the COVID-19 Pandemic

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries and, on March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada and China, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. Our manufacturing partner, Zongshen, reports that its operations have not been materially affected at this point, and we anticipate that Zongshen remains on track to begin producing the **SOLO** for deliveries to customers during 2020. However, significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our and Zongshen's operations, and on the global economy as a whole. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. We do not yet know the full extent of any impact on our business or our operations, however, we will continue to monitor the COVID-19 situation closely, and intend to follow health and safety guidelines as they evolve.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that would require disclosure.

Transactions with Related Parties

In addition to the amounts or arrangements disclosed herein, the following transactions with related parties have occurred.

Related party balances

The following amounts are due to related parties

	June 30, 2020	December 31, 2019
Shareholder loan	\$ -	\$ 2,076
Due to related parties	33,225	275,512
	<u>\$ 33,225</u>	<u>\$ 277,588</u>

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

Key management personnel compensation

	6 months ended	
	June 30 2020	June 30 2019
Directors' Fees	\$ 248,917	\$ 160,478
Consulting fees	125,004	236,796
Salaries	604,765	298,667
Stock-based compensation	3,841,448	1,956,146
	<u>\$ 4,820,134</u>	<u>\$ 2,652,087</u>

Incentive Stock Options

We did not grant any stock options during the six months ended June 30, 2020. The following table represents the number of stock options that are outstanding as at June 30, 2020.

Date of Grant	Number of Options	Price Per Option	Expiry Date
11-Jun-15	2,045,455	\$ 0.30	11-Jun-22
13-Aug-15	204,545	\$ 0.30	31-Oct-2020 to 13-Aug-22
9-Dec-15	608,513	\$ 0.80	31-Oct-2020 to 9-Dec-22
7-Mar-16	12,500	\$ 0.80	7-Mar-23
21-Jun-16	12,500	\$ 2.00	21-Jun-23
17-Feb-17	219,576	\$ 2.00	31-Oct-2020 to 17-Feb-24
8-Aug-17	50,000	\$ 2.00	8-Aug-24
5-Jan-18	174,892	US\$ 9.60	31-Oct-2020 to 5-Jan-25
8-Aug-18	160,939	US\$ 6.18	31-Oct-2020 to 8-Aug-25
19-Nov-18	120,000	US\$ 1.53	19-Nov-23
30-Nov-18	352,834	US\$ 5.00	30-Nov-2020 to 30-Nov-23
19-Mar-19	1,228,182	US\$ 3.40	18-Dec-2020 to 19-Mar-26
24-Jun-19	700,000	US\$ 2.62	25-Jun-22
4-Aug-19	1,250,000	US\$ 2.45	4-Aug-26
9-Aug-19	131,818	US\$ 2.53	9-Aug-26
17-Oct-19	120,000	US\$ 1.80	17-Oct-26
6-Dec-19	5,106,250	US\$ 1.91	6-Dec-26

Subsequent Events

From July 1, 2020 to the reporting date, the Company issued 1,232,500 shares at a price of US\$2.56 per share for gross proceeds of US\$3,155,200 with respect to the exercise of warrants that were issued to investors pursuant to a concurrent private placement of warrants on November 9, 2018 in relation to the registered direct offering of 4,250,000 common shares on November 9, 2018.

On July 7, 2020, the Company issued 28,517 shares at a price of US\$3.20 per share on a cashless exercise basis in relation to 75,315 warrants exercised by a placement agent, which warrants were issued pursuant to the Placement Agent Agreement entered into with The Benchmark Company, LLC and ThinkEquity, a division of Fordham Financial Management, Inc., dated November 7, 2018.

From July 1, 2020 to the reporting date, the Company issued 81,250 shares at prices ranging from of \$2.00 to \$4.00 per share for gross proceeds of \$182,500 from the exercise of warrants issued to investors.

From July 1, 2020 to the reporting date, the Company issued 135,171 shares at prices ranging from of \$0.30 to \$2.00 per share for gross proceeds of \$88,644 from the exercise of stock options.

On July 13, 2020, the Company and the Agents amended the Sales Agreement for the ATM offering to increase the aggregate offering price to up to US\$59,500,000 (Note 11). From July 14, 2020 to the reporting date, the Company has issued 4,412,804 common shares for the ATM offering for gross proceeds of US\$15,926,266. Share issue costs related to the ATM offering are US\$478,140.

Critical Accounting Policies and Estimates

Critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined under the heading “Critical Accounting Policies and Estimates” in the Company’s Annual Report on Form 20-F. This section should be read in conjunction with the Company’s Annual Report on Form 20-F for the financial year ended December 31, 2019 filed on March 25, 2020.

Statement of compliance with International Financial Reporting Standards

The interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

Basis of preparation

The interim condensed consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs except for derivative liabilities which are measured at fair value. 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 subsidiaries, EMV Automotive USA Inc., Intermeccanica from the date of its acquisition on October 18, 2017, EMV Automotive Technology (Chongqing) Inc. from the date of its incorporation on October 15, 2019, and SOLO EV, LLC from the date of its formation on November 22, 2019. 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 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.

The Covid-19 outbreak brings significant uncertainty as to the potential impact on our operations, supply chains for parts and sales channels for our products and on the global economy as a whole. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. Therefore, the Company has not changed any estimates and assumptions in the preparation of the financial statements.

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.

Significant accounting policies

Leases

As a lessee

The Company assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognized as a right-of-use asset and corresponding lease liability at the lease commencement date. The lease liability is measured at the present value of the future fixed payments and variable lease payments that depend on an index or rate over the lease term, less any lease incentives receivable, discounted using the lessee's incremental borrowing rate, unless the implicit interest rate in the lease can be easily determined.

Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured (with a corresponding adjustment to the right-of-use asset) when there is a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determine those payments or when the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments at or before the commencement date and any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and are depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

When the Company acts as an intermediate lessor it determines at lease inception whether each lease is a finance lease or an operating lease and accounts for its interest in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease and not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

Government grants

A government grant is recognized if there is reasonable assurance that it will be received and that the Company will comply with the conditions associated with the grant. If the conditions are met, the Company recognizes the grant in profit or loss on a systematic basis in line with its recognition of the expenses that the grant is intended to compensate. For grants related to income, the Company can elect to either offset the grant against the related expenditure or include it in other income. Government assistance received by the Company during the period have been accounted for as government grants related to income and have been included in other income.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed in varying degrees to a variety of financial instrument related risks. Our 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 refundable government goods and services taxes and interest receivable from major financial institutions with high credit rating.

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 and public offerings. 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 June 30, 2020 and December 31, 2019:

	Within one year	Between one and five years	More than five years
At June 30, 2020			
Trade payables	\$ 656,681	-	-
Accrued liabilities	229,134	-	-
Due to related parties	33,225	-	-
Shareholder loan	-	-	-
	<u>\$ 919,040</u>	<u>\$ -</u>	<u>\$ -</u>
At December 31, 2019			
Trade payables	\$ 693,502	-	-
Accrued liabilities	1,159,212	-	-
Due to related parties	275,512	-	-
Shareholder loan	2,076	-	-
	<u>\$ 2,130,302</u>	<u>\$ -</u>	<u>\$ -</u>

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:

	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 50,496,901	\$ 10,555,007
Restricted cash	85,923	81,981
Receivables	84,397	192,998
Trade payables and accrued liabilities	(592,487)	(105,896)
	<u>\$ 50,074,734</u>	<u>\$ 10,724,090</u>

Based on the above net exposures, as at June 30, 2020 a 10% change in the US dollars to Canadian dollar exchange rate would impact the Company's net loss by \$5,007,473 (June 30, 2019 - \$1,983,111).

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 12 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 \$495,842 for the six months ended June 30, 2020 (June 30, 2019 - \$185,498).

Classification of financial instruments

Financial assets included in the consolidated statements of financial position are as follows:

	June 30, 2020	December 31, 2019
Amortized cost:		
Cash and cash equivalents	\$ 51,252,752	\$ 11,095,848
Restricted cash	188,463	184,314
Receivables	143,885	144,391
	<u>\$ 51,585,100</u>	<u>\$ 11,424,553</u>

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

	June 30, 2020	December 31, 2019
Non-derivative financial liabilities:		
Trade payable and accrued liabilities	\$ 919,040	\$ 2,128,226
Shareholder loan	-	2,076
Derivative financial liabilities:		
Derivative liability	9,984,337	7,072,134
	<u>\$ 10,903,377</u>	<u>\$ 9,202,436</u>

Fair value

The fair value of the Company's financial assets and liabilities, other than the derivative liability which is measured at fair value, 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 June 30, 2020 consisted of the derivative liability, which includes transferrable warrants and non-transferrable warrants. Transferrable warrants are measured using level 1 inputs and non-transferrable warrants are measured using level 2 inputs.

The fair value of the derivative liability relating to the transferrable warrants was calculated using the quoted market price on the NASDAQ exchange.

The fair value of the derivative liability relating to the non-transferrable warrants was calculated using the Black-Scholes Option Pricing Model using historical volatility of comparable companies as an estimate of future volatility. At June 30, 2020, if the volatility used was increased by 10%, the impact would be an increase to the derivative liability of \$568,461 (June 30, 2019 - \$620,024) with a corresponding increase in comprehensive loss.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 or 15d-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, being June 30, 2020. This evaluation was carried out by our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting in the six months ended June 30, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, affiliates or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A. Risk Factors

An investment in our common shares carries a significant degree of risk. You should carefully consider the following risks, as well as the other information contained in this report, including our financial statements and related notes, before you make an investment decision concerning our shares. Any one of these risks and uncertainties has the potential to cause material adverse effects on our business, prospects, financial condition and operating results which could cause actual results to differ materially from any forward-looking statements expressed by us and a significant decrease in the value of our common shares. Refer to “Forward-Looking Statements” herein.

We have not been successful in preventing the material adverse effects that any of the following risks and uncertainties may cause. These potential risks and uncertainties may not be a complete list of the risks and uncertainties facing us. There may be additional risks and uncertainties that we are presently unaware of, or presently consider immaterial, that may become material in the future and have a material adverse effect on us. You could lose all or a significant portion of your investment due to any of these risks and uncertainties.

Risks Related to our Business and Industry

We have no revenue from the sale of electric vehicles and we will require a significant amount of capital to carry out our proposed business plan to develop, manufacture, sell and service electric vehicles. There is substantial doubt as to the ability of our Company to continue as a going concern.

We incurred a net loss and comprehensive loss of \$14,844,526 and \$14,971,979, respectively, during the six months ended June 30, 2020, and a net loss and comprehensive loss of \$30,742,311 and \$30,676,101, respectively, during the year ended December 31, 2019. Although we had a cash and cash equivalents and a working capital surplus of \$51,252,752 and \$56,836,015, respectively, as at June 30, 2020, and of \$11,095,848 and \$15,478,918, respectively, at December 31, 2019, we believe that we will need significant additional equity financing to continue as a going concern, given that, among other things:

- we have not begun the commercial mass production or sale of our flagship vehicle, the **SOLO**, and we expect to incur significant ramp-up in costs and expenses through the launch of the vehicle;
- we anticipate that the gross profit generated from the sale of the **SOLO** will not be sufficient to cover our operating expenses, and our achieving profitability will depend, in part, on our ability to materially reduce the bill of materials and per unit manufacturing cost of our products; and
- we do not anticipate that we will be eligible to obtain bank loans, or other forms of debt financing on terms that would be acceptable to us.

We anticipate generating a significant loss for the current fiscal year. The report of independent registered public accounting firm on our audited financial statements includes an explanatory paragraph relating to our ability to continue as a going concern.

We have minimal revenue and expect significant increases in costs and expenses to forestall profits for the foreseeable future, even if we generate revenues in the near term. Even if we are able to successfully launch the **SOLO** into commercial mass production, and to launch the Tofino or other intended EVs, they might not become commercially successful. If we are to ever achieve profitability we must have a successful commercial introduction and acceptance of our vehicles, which may not occur. We expect that our operating losses will increase substantially in 2020 and thereafter, and we also expect to continue to incur operating losses and to experience negative cash flows for the next several years.

We have a limited operating history and have generated minimal 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 mass production or the commercial delivery of our first electric vehicle. To date we have no revenues from the sale of electric vehicles as any amounts received from the sale of our pre-production electric vehicles were netted off against research and development costs as cost recovery and have had minimal revenue from the sale of non-electric custom cars. We intend to derive revenues from the sales of our **SOLO** vehicle, our Tofino vehicle and other intended EVs. The Tofino is still in the early design development stage, and the first commercially-produced **SOLOs** are scheduled to be delivered to our customers during 2020. Our vehicles require significant investment prior to commercial introduction and may never be successfully developed or commercially successful.

We have a history of operating losses and we expect our operating losses to accelerate and materially increase for the foreseeable future.

We generated net loss of \$14,844,526 for the six months ended June 30, 2020, bringing our accumulated deficit to \$76,960,534. Without a loss related to changes in the fair values of derivative liabilities of \$2,912,203, we would have had a less significant net loss. Our loss before income taxes for the six months ended June 30, 2020 decreased to \$14,870,725, as compared to \$17,395,538 for the corresponding period in 2019. We anticipate generating a significant loss for the current fiscal year. The report of the independent registered public accounting firm on our financial statements for the year ended December 31, 2019 included an explanatory paragraph relating to our ability to continue as a going concern.

We have minimal revenue and expect significant increases in costs and expenses to forestall profits for the foreseeable future, even if we generate revenues in the near term. We have not begun the commercial mass production or sale of our flagship vehicle, the **SOLO**, and we expect to incur significant additional costs and expenses through the launch of the vehicle. Even if we are able to successfully launch the **SOLO** into commercial mass production, and to launch the Tofino or other intended EVs, they might not become commercially successful. If we are to ever achieve profitability we must have a successful commercial introduction and acceptance of our vehicles, which may not occur. We expect that our operating losses will increase substantially in 2020 and thereafter, and we also expect to continue to incur operating losses and to experience negative cash flows for the next several years.

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 our vehicles and their components;
- develop and equip our manufacturing facility;
- build up inventories of parts and components for the **SOLO**, the Tofino and other intended EVs;
- 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.

Because 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 profits or even revenues, which would further increase our losses.

Our ability to achieve profitability will depend, in part, on our ability to materially reduce the bill of materials and per unit manufacturing cost of our products.

We anticipate that the gross profit generated from the sale of the **SOLO** will not be sufficient to cover our operating expenses. To achieve our operating and strategic goals while remaining competitive, we will, among other things, need to reduce the bill of materials and the per-unit manufacturing cost of the **SOLO**. We expect the primary factors to contribute to a reduced bill of materials and per unit manufacturing cost to include:

- continued product development to make the **SOLO** easier and cheaper to mass produce commercially;
- our ability to utilize less expensive suppliers and components that meet the requirements for the **SOLO**;
- increasing the volume of components that we purchase in order to take advantage of volume-based pricing discounts;
- improving assembly efficiency;
- enhancing the automation of our strategic manufacturing partner's facility to increase volume and reduce labor costs; and
- increasing our volume to leverage manufacturing overhead costs.

Continued product development is subject to feasibility and engineering risks. Any increase in manufacturing volumes is dependent upon a corresponding increase in sales. The occurrence of one or more factors that negatively impact the manufacturing or sales of the **SOLO**, or reduce our manufacturing efficiency, may prevent us from achieving our desired reduction in manufacturing costs, which would negatively affect our operating results and may prevent us from attaining profitability.

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 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. We might not generate sufficient revenues 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.

To carry out our proposed business plan for the next 12 months to develop, manufacture, sell and service electric vehicles we will require additional capital.

To carry out our proposed business plan for the next 12 months, we estimate that we will have approximately \$7 million in addition to cash on hand at June 30, 2020. If cash on hand, revenue from the sale of our cars, if any, and cash received upon the exercise of outstanding warrants, if any are exercised, are not sufficient to cover our cash requirements, we will need to raise additional funds through the sale of our equity securities, in either private placements or registered offerings, and/or shareholder loans. If we are unsuccessful in raising enough funds through such capital-raising efforts we may review other financing possibilities such as bank loans. Financing might not be available to us or, if available, may not be available on terms that are acceptable to us.

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. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business as projected, both of which could mean that we would be forced to curtail or discontinue our operations.

Terms of future financings may adversely impact your investment.

We may have to engage in common equity, debt or preferred stock financing in the future. Your rights and the value of your investment in our securities could be reduced. Interest on debt securities could increase costs and negatively impacts operating results. Preferred stock could be issued in series from time to time with such designation, rights, preferences and limitations as needed to raise capital. The terms of preferred stock could be more advantageous to those investors than to the holders of common shares. In addition, if we need to raise equity capital from the sale of common shares, institutional or other investors may negotiate terms at least as, and possibly more, favorable than the terms of your investment. Common shares which we sell could be sold into any market which develops, which could adversely affect the market price.

Our future growth depends upon consumers' willingness to adopt three-wheeled single-seat electric vehicles.

Our growth highly depends 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 seat 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 negatively impacted. 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 and, 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 vehicle as well as the frequency with which they charge the battery of their 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 eight 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 to continue to provide vehicles with the latest technology and, 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 depend 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 seat electric vehicle, and have targeted mainly urban residents of modest means and fleets. We will need to address additional markets and expand our customer demographic 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 a third-party for our near-term manufacturing needs.

In October 2017, we entered into a manufacturing agreement with a wholly-owned subsidiary of Zongshen Industrial Group Co. Ltd. (“Zongshen”), an affiliate of Zongshen Power Machinery Co., Ltd., located in Chongqing, China. Under the agreement, Zongshen has begun the process of establishing tooling and has contracted to produce 75,000 **SOLO** vehicles in the three full years from the commencement of production. The delivery of **SOLO** vehicles to our future customers and the revenue derived therefrom depends on Zongshen’s ability to fulfil its obligations under that manufacturing agreement. Zongshen’s ability to fulfil its obligations is outside of our control and depends on a variety of factors, including Zongshen’s operations, Zongshen’s financial condition and geopolitical and economic risks that could affect China. Our manufacturing agreement with Zongshen provides that non-performance by either us or Zongshen shall be excused to the extent that such performance is rendered impossible by strike, fire, flood, earthquake or governmental acts, orders or restrictions; provided that either we or Zongshen, as applicable, uses commercially reasonable efforts to mitigate the impact of such non-performance. Notwithstanding any such efforts, any such non-performance by either us or Zongshen shall be cause for termination of the manufacturing agreement by the other party if the non-performance continues for more than six months. The novel coronavirus (COVID-19) pandemic or measures taken by the Chinese government relating thereto may result in non- performance by Zongshen under our manufacturing agreement. If Zongshen is unable to fulfil its obligations or is only able to partially fulfil its obligations under our existing manufacturing agreement with them, or if Zongshen either voluntarily or is forced to terminate our agreement with them, either as a result of the coronavirus outbreak, the Chinese government’s measures relating thereto or otherwise, we will not be able to produce or sell our **SOLO** vehicle in the volumes anticipated and on the timetable that we anticipate, if at all.

The impact of the novel coronavirus (COVID-19) pandemic on the global economy and our operations remains uncertain, which could have a material adverse impact on our business, results of operations and financial condition and on the market price of our common shares.

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada and China, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. Although our manufacturing partner, Zongshen, reports that its operations have not been materially affected at this point, significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our and Zongshen’s operations (including, without limitation, staffing levels), supply chains for parts and sales channels for our products, and on the global economy as a whole. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent weeks. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital, on our business, results of operations and financial condition, and on the market price of our common shares.

We do not currently have all arrangements in place that are required to allow us to fully execute our business plan.

To sell our vehicles as envisioned we will need to enter into certain additional agreements and arrangements that are not currently in place. These include entering into agreements with distributors, arranging for the transportation of the mass-produced **SOLOs** to be delivered pursuant to our manufacturing agreement with Zongshen and obtaining battery and other essential supplies in the quantities that we require. If we are unable to enter into such agreements, or are only able to do so on terms that are unfavorable to us, we may not be able to fully carry out our business plans.

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

Our success depends on the efforts, abilities and continued service of Paul Rivera, our Chief Executive Officer, Bal Bhullar, our Chief Financial Officer, Henry Reisner, our President and Chief Operating Officer, and Isaac Moss, our Chief Administrative Officer and Corporate Secretary. A number of these key employees and consultants have significant experience in the automobile manufacturing and technology industries. 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 suitable replacements. We have obtained “key person” 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 timeframe 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 other legal requirements. These laws relate to the generation, use, handling, storage, transportation and disposal of regulated substances, including hazardous substances (such as batteries), dangerous goods and waste, emissions or discharges into soil, water and air, including noise and odors (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**, the Tofino or any future model EV 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 vehicles after several years of customer driving. With the Tofino we are still in early design development phase, whereby the similar evaluations are further behind.

We have very limited experience servicing our vehicles. If we are unable to address the service and warranty 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 customers will have a direct impact on the success of our future vehicles. If we are unable to satisfactorily service our customers, our ability to generate customer loyalty, grow our business and sell additional vehicles could be impaired.

We have very limited experience servicing our vehicles. We plan for mass production to begin for **SOLO** vehicles for deliveries during 2020. The total number of **SOLOs** that we have produced as pre-production as of June 30, 2020 is approximately 120 (64 from Canada and 56 from Zongshen). Throughout its history, our subsidiary, InterMeccanica, has produced approximately 2,500 cars, which include providing after sales support and servicing. We only have limited experience servicing the **SOLO** as a limited number of **SOLOs** have been produced. Servicing electric vehicles on a mass scale is different than servicing electric vehicles and vehicles with internal combustion engines and requires specialized skills, including high voltage training and servicing techniques on a mass scale

In addition, we presently expect that our warranty covering the **SOLO** will cover 24 months, however, the final details on such coverage have not yet been completed. Furthermore, the **SOLO** battery pack is expected to have a 60-month warranty period, however, the final details on the exact warranty specifications is still being determined and is being developed in conjunction with our battery pack and cell suppliers.

We may not succeed in establishing, maintaining and strengthening the ElectraMeccanica brand, which would materially and adversely affect customer acceptance of our vehicles and components and our business, revenues and prospects.

Our business and prospects heavily depend on our ability to develop, maintain and strengthen the ElectraMeccanica brand. Any failure to develop, maintain and strengthen our brand may materially and adversely affect our ability to sell our planned electric vehicles. If we are not able to establish, maintain and strengthen our brand, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brand will likely depend significantly on our ability to provide high quality electric cars and maintenance and repair services, and we have very limited experience in these areas. In addition, we expect that our ability to develop, maintain and strengthen the ElectraMeccanica brand will also depend heavily on the success of our marketing efforts. To date we have limited experience with marketing activities as we have relied primarily on the internet, word of mouth and attendance at industry trade shows to promote our brand. To further promote our brand we may be required to change our marketing practices, which could result in substantially increased advertising expenses, including the need to use traditional media such as television, radio and print. The automobile industry is intensely competitive, and we may not be successful in building, maintaining and strengthening our brand. Many of our current and potential competitors, particularly automobile manufacturers headquartered in Detroit, Japan and the European Union, have greater name recognition, broader customer relationships and substantially greater marketing resources than we do. If we do not develop and maintain a strong brand, our business, prospects, financial condition and operating results will be materially and adversely impacted.

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 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 and non-ferrous metals such as copper and 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 depends on the continued supply of battery cells for our vehicles. We do not currently have any agreements for the supply of batteries and depend upon the open market for their procurement. Any disruption in the supply of battery cells from our supplier could temporarily disrupt the planned production of our vehicles 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. We might not 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 **SOLO**, and the Tofino. 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** and Tofino 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 that are offered to purchasers of EVs or persons installing home charging stations, 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 our vehicles. 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 in 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 labor and 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. We have a manufacturing agreement with Zongshen to produce 75,000 **SOLO** vehicles in the first three full years from the commencement of production. Zongshen's workforce is not currently unionized, though they may become so in the future or industrial stoppages could occur in the absence of a union. We also directly and indirectly depend upon other 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 within our business, or that of Zongshen or our key suppliers, 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. Additionally, if we expand our business to include full in-house manufacturing of our vehicles, our employees might join or form a labor union and we may be required to become a union signatory.

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 limited field experience of our 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 a 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 \$30 million on a claims-made basis, but any such insurance might not 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 registration and enforcement 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 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 competing 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 United States.

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 third parties that allege our products are covered by their patents or trademarks or other intellectual property rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights. If we are determined to have infringed upon a third party's intellectual property rights, we may be required to do things that include one or more of the following:

- cease making, using, selling or offering to sell processes, goods or services that incorporate or use the third-party 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 to avoid infringing the third-party intellectual property; 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.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under the laws of the Province of British Columbia, a substantial portion of our assets are in Canada and all of our executive officers and most of our directors reside outside the United States

We are organized pursuant to the laws of the Province of British Columbia under the Business Corporations Act (British Columbia) (the "Business Corporations Act") and our executive offices are located outside of the United States in Vancouver, British Columbia. Three of our four officers, our auditor and all but four of our directors reside outside the United States. In addition, a substantial portion of their assets and our assets are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside of the United States, judgments you may obtain in U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. Federal or state securities laws. Furthermore, there is substantial doubt as to the enforceability in Canada against us or against any of our directors, officers and the expert named in this Annual Report who are not residents of the United States, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities based solely upon the civil liability provisions of the U.S. federal securities laws. In addition, shareholders in British Columbia companies may not have standing to initiate a shareholder derivative action in U.S. federal courts. As a result, our public shareholders may have more difficulty in protecting their interests through actions against us, our management, our directors or our major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

Global economic conditions could materially adversely impact demand for our products and services.

Our operations and performance depend significantly on economic conditions. Uncertainty about global economic conditions could result in customers postponing purchases of our products and services in response to tighter credit, unemployment, negative financial news and/or declines in income or asset values and other macroeconomic factors, which could have a material negative effect on demand for our products and services and, accordingly, on our business, results of operations or financial condition.

We are vulnerable to a growing trade dispute between the United States and China

A growing trade dispute between the United States and China could increase the proposed sales price of our products or decrease our profits, if any. In June 2018, the current U.S. administration has imposed tariffs on \$34 billion of Chinese exports, including a 25% duty on cars built in China and shipped to the United States. Following the imposition of these tariffs, China has imposed additional tariffs on U.S. goods manufactured in the United States and exported to China. Subsequently, the U.S. administration indicated that it may impose tariffs on up to US\$500 billion of goods manufactured in China and imported into the United States. These tariffs may escalate a nascent trade war between China and the United States. This trade conflict could affect our business because we intend to mass produce the **SOLO** in China and our intended principal market is the West Coast of North America. If a trade war were to escalate or if tariffs were imposed on any of our products, we could be forced to increase the proposed sales price of such products or reduce the margins, if any, on such products.

Recently, U.S. Customs and Border Protection ruled that the **SOLO** has a classification under the Harmonized Tariff Schedule of the United States that applies to passenger vehicles for less than 10 people with only electric motors. The total applicable duty for this classification was recently raised to 27.5% (2.5% is a “most-favored-nation” tariff for this classification and 25% derives from this classification being on the China 301 List 1). We envision that the suggested retail purchase price for our **SOLO** will be US\$18,500. As the landscape for tariffs involving imports to the United States from the People’s Republic of China has been changing over the past year and may change again, we have not determined how to adjust the purchase price in the United States in response to the recent tariff increase.

On January 15, 2020, the United States and the PRC signed the Phase 1 Trade Agreement which came into force on February 14, 2020. Notwithstanding the coming into force of the Phase 1 Trade Agreement, the United States will maintain its tariffs on cars built in China and shipped to the United States.

Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.

The legal system in the PRC is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various production services in the PRC. Zongshen, our manufacturing partner, is subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties.

From time to time we may have to resort to administrative and court proceedings to enforce our legal rights or Zongshen may have to resort to administrative and court proceedings to fulfill its obligations under the manufacturing agreement. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we or Zongshen may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could materially and adversely affect our business and impede our ability to continue our operations.

Risks Related to Our Common Shares

Our executive officers and directors beneficially own a large controlling percentage of our common shares.

As of August 11, 2020, our executive officers and directors beneficially owned, in the aggregate, approximately 25.87% of our common shares, which includes shares that our executive officers and directors have the right to acquire pursuant to warrants and stock options which have vested. As a result, they will be able to exercise a significant level of control over all matters requiring shareholder approval, including the election of directors, amendments to our Articles and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our Company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these shareholders.

The continued sale of our equity securities will dilute the ownership percentage of our existing shareholders and may decrease the market price for our common shares.

Our Notice of Articles authorize the issuance of an unlimited number of common shares and the issuance of preferred shares. Our Board of Directors has the authority to issue additional shares of our capital stock to provide additional financing in the future and designate the rights of the preferred shares, which may include voting, dividend, distribution or other rights that are preferential to those held by the common shareholders. The issuance of any such common or preferred shares may result in a reduction of the book value or market price, if one exists at the time, of our outstanding common shares. Given our lack of revenues, we will likely have to issue additional equity securities to obtain working capital we require for the next 12 months. Our efforts to fund our intended business plans will therefore result in dilution to our existing shareholders. If we do issue any such additional common shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders. As a result of such dilution, if you acquire common shares your proportionate ownership interest and voting power could be decreased. Furthermore, any such issuances could result in a change of control or a reduction in the market price for our common shares.

Additionally, we had 13,550,644 options and 19,026,831 warrants outstanding as of August 11, 2020. The exercise price of some of these options and warrants is below our current market price, and you could purchase shares in the market at a price in excess of the exercise price of our outstanding warrants or options. If the holders of these options and warrants elect to exercise them, your ownership position will be diluted and the per share value of the common shares you have or acquire could be diluted as well. As a result, the market value of our common shares could significantly decrease as well.

Issuances of our preferred stock may adversely affect the rights of the holders of our common shares and reduce the value of our common shares.

Our Notice of Articles authorize the issuance of an unlimited number of shares of preferred stock. Our Board of Directors has the authority to create one or more series of preferred stock and, without shareholder approval, issue shares of preferred stock with rights superior to the rights of the holders of common shares. As a result, shares of preferred stock could be issued quickly and easily, adversely affecting the rights of holder of common shares and could be issued with terms calculated to delay or prevent a change in control or make removal of management more difficult. Although we currently have no plans to create any series of preferred stock and have no present plans to issue any shares of preferred stock, any creation and issuance of preferred stock in the future could adversely affect the rights of the holders of common shares and reduce the value of our common shares.

The market price of our common shares may be volatile and may fluctuate in a way that is disproportionate to our operating performance.

Our common shares began trading on the Nasdaq Capital Market in August 2018, and before that it had been trading on the OTCQB in September 2017. The historical volume of trading has been low (within the past year, the fewest number of our shares that were traded on the Nasdaq Capital Market was 28,706 shares daily), and the share price has fluctuated significantly (since trading began on the Nasdaq Capital Market our closing price has been as low as US\$0.91 and as high as US\$5.15). The share price for our common shares could decline due to the impact of any of the following factors:

- sales or potential sales of substantial amounts of our common shares;
- announcements about us or about our competitors;
- litigation and other developments relating to our patents or other proprietary rights or those of our competitors;
- conditions in the automobile industry;
- governmental regulation and legislation;
- variations in our anticipated or actual operating results;
- change in securities analysts' estimates of our performance, or our failure to meet analysts' expectations;
- change in general economic trends; and
- investor perception of our industry or our prospects.

Many of these factors are beyond our control. The stock markets in general, and the market for automobile companies in particular, have historically experienced extreme price and volume fluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These broad market and industry factors could reduce the market price of our common shares regardless of our actual operating performance.

We do not intend to pay dividends and there will thus be fewer ways in which you are able to make a gain on your investment.

We have never paid any cash or stock dividends and we do not intend to pay any dividends for the foreseeable future. To the extent that we require additional funding currently not provided for in our financing plan, our funding sources may prohibit the payment of any dividends. Because we do not intend to declare dividends, any gain on your investment will need to result from an appreciation in the price of our common shares. There will therefore be fewer ways in which you are able to make a gain on your investment.

FINRA sales practice requirements may limit your ability to buy and sell our common shares, which could depress the price of our shares.

Financial Industry Regulation Authority (“FINRA”) rules require broker-dealers to have reasonable grounds for believing that an investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status and investment objectives, among other things. Under interpretations of these rules, FINRA believes that there is a high probability such speculative low-priced securities will not be suitable for at least some customers. Thus, FINRA requirements may make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit your ability to buy and sell our common shares, have an adverse effect on the market for our common shares and, thereby, depress their market prices.

Our common shares have been thinly traded, and you may be unable to sell at or near ask prices or at all if you need to sell your common shares to raise money or otherwise desire to liquidate your shares.

From October 2017 until August 2018, our common shares were quoted on the OTCQB where they were “thinly-traded”, meaning that the number of persons interested in purchasing our common shares at or near bid prices at any given time was relatively small or non-existent. Since we listed on the Nasdaq Capital Market in August 2018, the volume of our common shares traded has increased, but that volume could decrease until we are thinly-traded again. That could occur due to a number of factors, including that we are relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and might be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our common shares until such time as we became more seasoned. As a consequence, there may be periods of several days or more when trading activity in our common shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. Broad or active public trading market for our common shares may not develop or be sustained.

Volatility in our common shares or warrant price may subject us to securities litigation.

The market for our common shares may have, when compared to seasoned issuers, significant price volatility, and we expect that our share or warrant prices may continue to be more volatile than that of a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management’s attention and resources.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

We are a foreign private issuer within the meaning of the rules under the Exchange Act. As such, we are exempt from certain provisions applicable to United States domestic public companies. For example:

- we are not required to provide as many Exchange Act reports, or as frequently, as a domestic public company;
- for interim reporting we are permitted to comply solely with our home country requirements, which are less rigorous than the rules that apply to domestic public companies;
- we are not required to provide the same level of disclosure on certain issues, such as executive compensation;
- we are exempt from provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information;
- we are not required to comply with the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and
- we are not required to comply with Section 16 of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and establishing insider liability for profits realized from any “short-swing” trading transaction.

Our shareholders may not have access to certain information they may deem important and are accustomed to receive from U.S. reporting companies.

As an “emerging growth company” under applicable law, we will be subject to lessened disclosure requirements. Such reduced disclosure may make our common shares less attractive to investors.

For as long as we remain an “emerging growth company”, as defined in the JOBS Act, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” and including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Because of these lessened regulatory requirements our shareholders would be left without information or rights available to shareholders of more mature companies. If some investors find our common shares less attractive as a result, there may be a less active trading market for such securities and their market prices may be more volatile.

We incur significant costs as a result of being a public company, which costs will grow after we cease to qualify as an “emerging growth company.”

We incur significant legal, accounting and other expenses as a public company that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and Nasdaq Capital Market, impose various requirements on the corporate governance practices of public companies. We are an “emerging growth company”, as defined in the JOBS Act, and will remain an emerging growth company until the earlier of : (1) the last day of the fiscal year (a) following May 23, 2022, (b) in which we have total annual gross revenue of at least US\$1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common shares that is held by non-affiliates exceeds US\$700 million as of the prior June 30th; and (2) the date on which we have issued more than US\$1.0 billion in non-convertible debt during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

Compliance with these rules and regulations increases our legal and financial compliance costs and makes some corporate activities more time-consuming and costlier. After we are no longer an emerging growth company, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 and the other rules and regulations of the SEC. For example, as a public company, we have been required to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We have incurred additional costs in obtaining director and officer liability insurance. In addition, we incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

This report was included as Exhibit 99.1 to the Company’s Report of Foreign Private Issuer on Form 6-K filed with the U.S. Securities and Exchange Commission. Please see the other exhibits to such Form 6-K, which are incorporated by reference herein.

ElectraMeccanica Vehicles Corp.
Interim Condensed Consolidated Financial Statements
June 30, 2020 and 2019 (Unaudited)
Expressed in Canadian Dollars

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

	Note	June 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 51,252,752	\$ 11,095,848
Receivables	4	207,428	440,930
Prepaid expenses		6,321,339	6,580,976
Inventory		1,309,658	750,151
		<u>59,091,177</u>	<u>18,867,905</u>
Non-current assets			
Restricted cash		188,463	184,314
Plant and equipment	5	9,879,971	9,990,542
Net investment in sublease		178,810	-
Goodwill and other intangible assets	7	1,236,631	1,239,131
TOTAL ASSETS		<u>\$ 70,575,052</u>	<u>\$ 30,281,892</u>
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	8	919,040	2,128,226
Customer deposits		410,973	411,479
Construction contract liability		281,924	199,465
Shareholder loan		-	2,076
Deferred income tax		15,580	42,855
Current portion of lease liabilities	9	627,645	604,886
		<u>2,255,162</u>	<u>3,388,987</u>
Non-current liabilities			
Derivative liability ¹	10	9,984,337	7,072,134
Lease liabilities	9	769,551	858,790
TOTAL LIABILITIES		<u>13,009,050</u>	<u>11,319,911</u>
EQUITY			
Share capital	11	116,205,676	66,574,255
Deficit		(76,960,534)	(62,116,008)
Reserves		18,320,860	14,503,734
TOTAL EQUITY		<u>57,566,002</u>	<u>18,961,981</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 70,575,052</u>	<u>\$ 30,281,892</u>

Nature and continuance of operations (Note 1)
Commitments (Note 5)

On behalf of the Board of Directors.

Director

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 10.

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

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

	Note	Three months ended		Six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue		\$ 16,676	\$ 159,862	\$ 133,489	\$ 261,266
Cost of revenue		38,822	166,652	205,917	262,804
Gross loss		(22,146)	(6,790)	(72,428)	(1,538)
Operating expenses					
Amortization	5	211,558	261,298	445,187	529,980
General and administrative expenses	13	2,145,947	1,591,663	4,357,767	3,504,338
Research and development expenses	14	1,915,118	1,915,505	3,446,664	3,559,060
Sales and marketing expenses	15	412,056	440,538	762,283	812,538
Stock-based compensation expense	11	1,415,524	551,035	3,950,082	2,551,027
Share-based payment expense		-	171,101	-	245,942
		6,100,203	4,931,140	12,961,983	11,202,885
Operating loss		(6,122,349)	(4,937,930)	(13,034,411)	(11,204,423)
Other items					
Interest expense/(income)		(14,018)	26,230	(52,663)	58,083
Changes in fair value of derivative liability	10	6,914,325	(8,546,219)	2,912,203	5,520,391
Other Income	16	(509,054)	(14,383)	(519,195)	(53,928)
Foreign exchange (gain)/loss		418,068	319,359	(504,031)	666,569
Income/(loss) before taxes		(12,931,670)	3,277,083	(14,870,725)	(17,395,538)
Current income tax expense		-	2,140	1,076	2,140
Deferred income tax expense/(recovery)		4,675	(6,419)	(27,275)	(49,175)
Net income/(loss)		(12,936,345)	3,281,362	(14,844,526)	(17,348,503)
Other comprehensive income/(loss)		131,668	21,904	(127,453)	24,587
Comprehensive income/(loss)		\$ (12,804,677)	\$ 3,303,266	\$ (14,971,979)	\$ (17,323,916)
Income/(loss) per share – basic and fully diluted		\$ (0.28)	\$ 0.09	\$ (0.36)	\$ (0.50)
Weighted average number of shares outstanding – basic and fully diluted	11	46,036,494	36,909,154	41,543,016	34,987,274

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

ElectraMeccanica Vehicles Corp.
Condensed Unaudited Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Note	Share capital		Share-based payment reserve	Foreign Currency Translation Reserve	Income/(Deficit)	Total
		Number of shares	Amount net of share issue cost				
Balance at December 31, 2018		32,332,343	\$ 46,622,299	\$ 7,667,591	\$ (10,005)	\$ (31,373,697)	\$ 22,906,188
Shares issued for cash		3,333,334	16,090,029	-	-	-	16,090,029
Share issue cost		-	(1,364,808)	-	-	-	(1,364,808)
Shares issued pursuant to exercise of warrants		1,046,300	4,657,266	-	-	-	4,657,266
Shares issued for services		93,020	201,077	-	-	-	201,077
Stock-based compensation		-	-	1,999,992	-	-	1,999,992
Net loss for the quarter		-	-	-	-	(20,629,865)	(20,629,865)
Foreign currency translation reserve		-	-	-	2,683	-	2,683
Balance at March 31, 2019		<u>36,804,997</u>	<u>\$ 66,205,863</u>	<u>\$ 9,667,583</u>	<u>\$ (7,322)</u>	<u>\$ (52,003,562)</u>	<u>\$ 23,862,562</u>
Shares issue cost		-	(10,425)	-	-	-	(10,425)
Shares issued pursuant to exercise of warrants		70,023	145,153	-	-	-	145,153
Shares issued for services		41,030	171,101	-	-	-	171,101
Shares issued pursuant to exercise of options		43,760	47,539	(12,531)	-	-	35,008
Stock-based compensation		-	-	551,035	-	-	551,035
Net income for the quarter		-	-	-	-	3,281,362	3,281,362
Foreign currency translation reserve		-	-	-	21,904	-	21,904
Balance at June 30, 2019		<u>36,959,810</u>	<u>\$ 66,559,231</u>	<u>\$ 10,206,087</u>	<u>\$ 14,582</u>	<u>\$ (48,722,200)</u>	<u>\$ 28,057,700</u>
Balance at December 31, 2019		37,049,374	\$ 66,574,255	\$ 14,447,529	\$ 56,205	\$ (62,116,008)	\$ 18,961,981
Shares issued for cash	11	7,500	11,158	-	-	-	11,158
Shares issue cost	11	-	(73,330)	-	-	-	(73,330)
Stock-based compensation	11	-	-	2,534,558	-	-	2,534,558
Net loss for the quarter		-	-	-	-	(1,908,181)	(1,908,181)
Foreign currency translation reserve		-	-	-	(259,121)	-	(259,121)
Balance at March 31, 2020		<u>37,056,874</u>	<u>\$ 66,512,083</u>	<u>\$ 16,982,087</u>	<u>\$ (202,916)</u>	<u>\$ (64,024,189)</u>	<u>\$ 19,267,065</u>
Shares issued for cash		25,913,365	52,420,971	-	-	-	52,420,971
Shares issue cost	11	-	(2,890,382)	-	-	-	(2,890,382)
Shares issued pursuant to exercise of options	11	25,000	13,004	(5,504)	-	-	7,500
Shares issued pursuant to exercise of warrants	11	187,500	150,000	-	-	-	150,000
Stock-based compensation	11	-	-	1,415,525	-	-	1,415,525
Net loss for the quarter		-	-	-	-	(12,936,345)	(12,936,345)
Foreign currency translation reserve		-	-	-	131,668	-	131,668
Balance at June 30, 2020		<u>63,182,739</u>	<u>\$ 116,205,676</u>	<u>\$ 18,392,108</u>	<u>\$ (71,248)</u>	<u>\$ (76,960,534)</u>	<u>\$ 57,566,002</u>

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

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

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Operating activities				
Income/(loss) for the quarter	\$ (12,936,345)	\$ 3,281,362	\$ (14,844,526)	\$ (17,348,503)
Adjustments for:				
Amortization	211,558	261,298	445,187	529,980
Stock-based compensation expense	1,415,524	551,035	3,950,082	2,551,027
Share-based payment expense	-	171,101	-	245,942
Interest expense/(income)	(14,018)	26,230	(52,663)	58,083
Changes in fair value of derivative liability	6,914,325	(8,546,219)	2,912,203	5,520,391
Deferred income tax expense/(recovery)	4,675	(6,419)	(27,275)	(49,175)
Changes in non-cash working capital items:				
Receivables	40,131	(580,043)	150,873	(516,319)
Prepaid expenses	237,169	(2,922,683)	252,210	(4,810,789)
Inventory	(537,453)	(200,494)	(559,507)	(642,182)
Trade payables and accrued liabilities	(1,152,893)	(307,901)	(1,279,068)	(485,061)
Customer deposits and construction contract liability	67,747	29,710	81,953	55,734
Net cash flows used in operating activities	(5,749,580)	(8,243,023)	(8,970,531)	(14,890,872)
Investing activities				
Investments in restricted cash	3,212	740	(4,149)	1,631
Expenditures on plant and equipment	(223,849)	(1,093,016)	(339,884)	(1,268,815)
Proceeds from intangible assets	-	-	-	8,042
Net cash flows used in investing activities	(220,637)	(1,092,276)	(344,033)	(1,259,142)
Financing activities				
Interest received	408	2,967	193,866	12,087
Interest from net investment in sublease	5,167	-	8,995	-
Interest paid	-	-	(395)	(150)
Interest on lease payments	(26,685)	(32,730)	(56,351)	(68,185)
Repayment of shareholder loans	(1,038)	(1,038)	(2,076)	(2,077)
Repayment of leases	(145,618)	(133,215)	(292,672)	(299,647)
Payment received for net investment in sublease	36,392	-	59,464	-
Proceeds on issuance of common shares – net of issue costs	49,530,590	(10,425)	49,530,590	14,714,796
Proceeds from issuance of common shares for options exercised	7,500	35,008	7,500	35,008
Proceeds from issuance of common shares for warrants exercised	150,000	145,153	150,000	4,195,286
Net cash flows from financing activities	49,556,716	5,720	49,598,921	18,587,118
Increase/(decrease) in cash and cash equivalents	43,586,499	(9,329,579)	40,284,357	2,437,104
Effect of exchange rate changes on cash	131,668	21,904	(127,453)	24,587
Cash and cash equivalents, beginning	7,534,585	30,696,299	11,095,848	18,926,933
Cash and cash equivalents, ending	\$ 51,252,752	\$ 21,388,624	\$ 51,252,752	\$ 21,388,624
Supplemental schedule of non-cash financing and investing transactions:				
Shares issued for services	-	171,101	-	245,942

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 manufacturing of electric vehicles. The Company acquired Intermeccanica International Inc. (“Intermeccanica”) on October 18, 2017 and whose principal activity is the development and manufacturing of high-end custom-built vehicles. On January 22, 2018 the Company incorporated a wholly owned subsidiary, EMV Automotive USA Inc., in Nevada, USA. On October 15, 2019 the Company incorporated a wholly owned subsidiary, EMV Automotive Technology (Chongqing) Inc., in Chongqing, China. On November 22, 2019 the Company incorporated SOLO EV, LLC, a wholly owned subsidiary of EMV Automotive USA Inc., in Michigan, USA.

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 June 30, 2020, 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 cast substantial doubt about the Company’s ability to continue as a going concern. Management primarily intends to finance its operations over the next twelve months through private placement and/or public offerings 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 consolidated statement of financial position.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issue on August 11, 2020 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting on a basis consistent with those followed in the most recent annual consolidated financial statements for the year ended December 31, 2019.

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs except for derivative liabilities which are measured at fair value. 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 subsidiaries, EMV Automotive USA Inc., from the date of incorporation of January 22, 2018, InterMeccanica, from the date of its acquisition on October 18, 2017, EMV Automotive Technology (Chongqing) Inc., from the date of its incorporation on October 15, 2019, and SOLO EV, LLC, from the date of its incorporation on November 22, 2019. 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 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.

The Covid-19 outbreak brings significant uncertainty as to the potential impact on our operations, supply chains for parts and sales channels for our products and on the global economy as a whole. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. Therefore, the Company has not changed any estimates and assumptions in the preparation of the financial statements.

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 areas that require judgment in the Company has consolidated 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.

Significant accounting policies

Leases

As a lessee

The Company assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognized as a right-of-use asset and corresponding lease liability at the lease commencement date. The lease liability is measured at the present value of the future fixed payments and variable lease payments that depend on an index or rate over the lease term, less any lease incentives receivable, discounted using the lessee's incremental borrowing rate, unless the implicit interest rate in the lease can be easily determined.

Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured (with a corresponding adjustment to the right-of-use asset) when there is a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determine those payments or when the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments at or before the commencement date, any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and are depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

When the Company acts as an intermediate lessor it determines at lease inception whether each lease is a finance lease or an operating lease and accounts for its interest in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease and not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

Government grants

A government grant is recognized if there is reasonable assurance that it will be received and that the Company will comply with the conditions associated with the grant. If the conditions are met, the Company recognizes the grant in profit or loss on a systematic basis in line with its recognition of the expenses that the grant is intended to compensate. For grants related to income, the Company can elect to either offset the grant against the related expenditure or include it in other income. Government assistance received by the Company during the period have been accounted for as government grants related to income and have been included in other income.

3. Cash and cash equivalents

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

	June 30, 2020	December 31, 2019
Cash	\$ 1,668,579	\$ 2,670,877
Cash equivalent	49,584,173	8,424,971
	<u>\$ 51,252,752</u>	<u>\$ 11,095,848</u>

4. Receivables

	June 30, 2020	December 31, 2019
Trade receivable	\$ 30,165	\$ 14,986
GST receivable	63,543	47,428
Scientific research and experimental development tax credits receivable	-	249,111
Other receivables	113,720	129,405
	<u>\$ 207,428</u>	<u>\$ 440,930</u>

5. Plant and equipment

	Furniture and equipment	Computer hardware and software	Vehicles	Leasehold Improvements	Right-of- use assets	Production tooling and molds	Total
Cost:							
December 31, 2018	494,487	133,403	388,049	384,341	-	4,549,948	5,950,228
Additions	73,691	139,863	-	129,327	-	3,310,971	3,653,852
Adoption of IFRS 16	-	-	-	-	2,061,469	-	2,061,469
Disposals	-	(2,150)	-	-	-	-	(2,150)
December 31, 2019	568,178	271,116	388,049	513,668	2,061,469	7,860,919	11,663,399
Additions	21,476	82,380	-	12,498	237,608	216,096	570,058
Disposals	-	-	(13,884)	(36,110)	-	-	(49,994)
Lease termination and derecognition ^{1,2}	-	-	-	-	(463,879)	-	(463,879)
Foreign exchange difference	4,949	237	-	14,606	(29,691)	-	(9,899)
June 30, 2020	594,603	353,733	374,165	504,662	1,805,507	8,077,015	11,709,685
Amortization:							
December 31, 2018	230,798	65,689	215,251	114,724	-	-	626,462
Additions	77,975	65,600	117,326	121,951	664,797	-	1,047,649
Disposals	-	(1,254)	-	-	-	-	(1,254)
December 31, 2019	308,773	130,035	332,577	236,675	664,797	-	1,672,857
Additions	43,139	45,208	30,748	71,163	241,474	-	431,732
Disposals	-	-	(9,659)	(29,430)	-	-	(39,089)
Lease termination and derecognition ^{1,2}	-	-	-	-	(260,443)	-	(260,443)
Foreign exchange difference	908	30	-	5,604	18,115	-	24,657
June 30, 2020	352,820	175,273	353,666	284,012	663,943	-	1,829,714
Net book value:							
At December 31, 2019	259,405	141,081	55,472	276,993	1,396,672	7,860,919	9,990,542
June 30, 2020	241,783	178,460	20,499	220,650	1,141,564	8,077,015	9,879,971

¹ The Company entered into a sublease agreement for its office space in Los Angeles, USA, with effect from February 1, 2020. As a result of the sublease, the Company derecognized the right-of-use asset relating to the head lease with cost of \$319,365 and accumulated amortization of \$161,565 (See Note 6 for further information on the net investment in sublease).

² The Company terminated one of its warehouse leases on January 31, 2020. As a result of the termination, the Company derecognized the right-of-use asset of the warehouse with cost of \$144,514 and accumulated amortization of \$98,878 (See Note 9 for further information on the termination of the lease)

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 (\$1.8 million), which was payable on or before March 18, 2018, subject to a 10% holdback, and mass production tooling and molds estimated to be CNY ¥40 million (\$7.7 million) as at June 30, 2020, 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 June 30, 2020, the Company has completed the prototype tooling and molds with an actual cost of CNY ¥10.1 million (\$2 million). As assessed by the Company, the prototype tooling and molds can be adapted for use in mass production. The Company has paid 90% of prototype tooling and molds and 79% of the mass production tooling and molds. Depreciation on the production tooling and molds is charged on a per unit produced basis. No depreciation on the production tooling and molds is charged for period ended June 30, 2020 since no units had been produced using the production tooling and molds.

On October 16, 2017, Jerry Kroll, a director of the Company (“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 (\$1.8 million) to Zongshen through the pledge of 400,000 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.

6. Net investment in sublease

The Company entered into an agreement to sublease the office space in Los Angeles, USA, with effect from February 1, 2020. The Company has classified the sublease as a finance lease as the term of the sublease is for the major part of the economic life of the right-of-use asset arising from the head lease. At the commencement date of the sublease the Company derecognized the right-of-use asset relating to the head lease that it transferred to the sub-lessee and recognized the net investment in the sub-lease. The term of the sublease expires on August 21, 2021.

As at June 30, 2020, the contractual undiscounted cash flows related to the sublease were as follows:

	Future minimum lease payments receivable	Interest income	Present value of minimum lease payments receivable
Less than one year	\$ 163,017	\$ 11,041	\$ 151,976
Between one and five years	27,170	336	26,834
Net investment in sublease	<u>\$ 190,187</u>	<u>\$ 11,377</u>	<u>\$ 178,810</u>

7. Goodwill and Intangible Assets

	June 30, 2020	December 31, 2019
Identifiable intangibles on acquisition of InterMeccanica	\$ 521,567	\$ 524,067
Goodwill on acquisition of InterMeccanica	699,844	699,844
Other intangibles	15,220	15,220
	<u>\$ 1,236,631</u>	<u>\$ 1,239,131</u>

8. Trade payables and accrued liabilities

	June 30, 2020	December 31, 2019
Trade payables	\$ 656,681	\$ 693,502
Due to related parties (Note 18)	33,225	275,512
Accrued liabilities	229,134	1,159,212
	<u>\$ 919,040</u>	<u>\$ 2,128,226</u>

9. Lease liabilities

Lease obligations relate to the Company’s rent of office space, warehouse spaces and kiosk locations to promote vehicle sales. The term of the lease related to office space expires on November 1, 2020, and the term of leases related to warehouse spaces expire on August 31, 2021 and August 1, 2022 with the Company holding an option to renew one of the warehouse leases for a further five years. The Company entered into a lease agreement in April 2020 for the lease of a kiosk location in Los Angeles which expires in July 2023.

The Company terminated one of its warehouse leases on January 31, 2020 without penalty for termination and derecognized lease liability and right-of-use asset of \$47,238 and \$45,636, respectively, on the effective date of termination.

ElectraMeccanica Vehicles Corp.
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(Expressed in Canadian dollars)

The Company incurred \$15,790 and \$48,992 of lease expenses for the three and six months ended June 30, 2020 (June 30, 2019 - \$843 for the three and six months respectively), for short-term leases and low-value leases which are not included in the measurement of lease liabilities.

The following tables reconciles the change in the lease liabilities and discloses a maturity analysis of the lease liabilities for the period ended June 30, 2020:

Balance as at January 1, 2020	\$ 1,463,676
Lease addition	237,608
Lease termination	(47,238)
Accretion of lease liability	56,352
Repayment of principal and interest	(313,202)
Balance as at June 30, 2020	<u>\$ 1,397,196</u>

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 719,178	\$ 91,533	\$ 627,645
Between one and five years	687,259	124,279	562,980
More than five years	222,630	16,059	206,571
	<u>\$ 1,629,067</u>	<u>\$ 231,871</u>	<u>1,397,196</u>
Current portion of lease liabilities			<u>627,645</u>
Non-current portion of lease liabilities			<u>\$ 769,551</u>

10. 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 when issued other than as compensation for goods and services are therefore a derivative for accounting purposes and are required to be recognized as a derivative 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 statements of 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 statements of comprehensive loss. There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants (See Note 11 for further information on warrants issued and outstanding).

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

	June 30, 2020	December 31, 2019
Balance, beginning	\$ 7,072,134	\$4,752,875
Warrants issued	-	-
Warrants exercised	-	(607,133)
Changes in fair value of derivative liabilities	2,912,203	2,926,392
Balance, ending	<u>\$9,984,337</u>	<u>\$7,072,134</u>

The fair value of the transferrable warrants was calculated using the warrant price of USD \$0.50 at issuance and USD \$0.85 at June 30, 2020 as quoted on the NASDAQ exchange.

11. Share capital

Authorized share capital

Unlimited number of common shares without par value.

At June 30, 2020, the Company had 63,182,739 issued and outstanding common shares (December 31, 2019 – 37,049,374).

On March 27, 2020, the Company contracted with Stifel, Nicolaus & Company, Incorporated and Roth Capital Partners, LLC (each, an “Agent”, and collectively, the “Agents”) to sell common shares, no par value per common share, of the Company (the “Shares”) having an aggregate offering price of up to US\$30,000,000 through the Agents (the “Sales Agreement”). On July 13, 2020, the Company and the Agents amended the Sales Agreement to increase the aggregate offering price to up to US\$59,500,000.

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

In accordance with the terms of the Sales Agreement, the Company may offer and sell Shares from time to time through the Agent selected by the Company (the “Designated Agent”), acting as sales agent or, with consent of the Company, as principal. The Shares may be offered and sold by any method permitted by law deemed to be an “at the market” (“ATM”) offering as defined in Rule 415 promulgated under the Securities Act, including sales made directly on or through the Nasdaq Capital Market (“Nasdaq”) or on any other existing trading market for the Shares, and, if expressly authorized by the Company, in negotiated transactions.

From March 30, 2020 to June 4, 2020, the Company issued 15,920,865 Shares for the ATM offering under the Sales Agreement for gross proceeds of \$25,257,514 (US\$18,489,939). Share issue costs related to the ATM offering were \$1,129,425.

On June 10, 2020, the Company entered into definitive agreements with institutional investors to sell an aggregate of 10,000,000 common shares of the Company at a price of US\$2.00 per share for gross proceeds of US\$20,000,000 (the “Offering”). The Offering was priced “at market” under the rules of the Nasdaq Global Select Market. The offering was closed on June 12, 2020. The Company received gross proceeds of \$27,174,615 with share issue costs of \$1,834,286 (US\$ 1,350,000).

On June 16, 2020, the Company issued 187,500 shares at a price of \$0.80 per share for gross proceeds of \$150,000 for warrants exercised by investors.

On June 25, 2020, the Company issued 25,000 shares at a price of \$0.30 per share for gross proceeds of \$7,500 for options exercised by investors.

Basic and fully diluted loss per share

The calculation of basic and fully diluted loss per share for the six months ended June 30, 2020 was based on the net loss attributable to common shareholders of \$14,844,526 (June 30, 2019 – \$17,348,503) and the weighted average number of common shares outstanding of 41,543,016 (June 30, 2019 – 34,987,274). 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 our Board of Directors 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 30,000,000. Such options will be exercisable for a period of up to seven 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 unless specific exercise extension approved by the Board of Directors.

Options granted vest based on terms and conditions set up in the option agreements themselves.

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

The changes in options during the six months ended June 30, 2020 are as follows:

	June 30, 2020	
	Number of options	Weighted average exercise price
Options outstanding, beginning	12,908,315	\$ 2.07
Options granted	-	-
Options exercised	(25,000)	0.30
Options expired and forfeited	(385,311)	2.44
Options cancelled	-	-
Options outstanding, ending	<u>12,498,004</u>	<u>\$ 2.06</u>

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Details of options outstanding as at June 30, 2020 are as follows:

<u>Exercise price</u>	<u>Weighted average contractual life</u>	<u>Number of options outstanding</u>	<u>Number of options exercisable</u>
\$0.30	1.94	2,250,000	2,250,000
\$0.80	2.06	621,013	621,013
\$2.00	2.16	282,076	257,160
\$1.53 USD	3.39	120,000	120,000
\$1.80 USD	6.30	120,000	80,000
\$1.91 USD	6.44	5,106,250	1,611,865
\$2.45 USD	6.10	1,250,000	1,145,833
\$2.53 USD	6.11	131,818	120,824
\$2.62 USD	1.99	700,000	21,875
\$3.40 USD	4.94	1,228,182	1,228,182
\$5.00 USD	2.11	352,834	352,834
\$6.18 USD	1.57	160,939	134,901
\$9.60 USD	4.18	174,892	118,552
		<u>12,498,004</u>	<u>8,063,039</u>

The weighted average grant date fair value of options granted during the six months ended June 30, 2020 was Nil (June 30, 2019 - \$3.46).

During the three and six months ended June 30, 2020, the Company recognized stock-based compensation expense of \$1,415,524 and \$3,950,082 (three and six months June 30, 2019 - \$551,035 and \$2,551,027).

Warrants

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

The changes in warrants during the six months ended June 30, 2020 are as follows:

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Warrants outstanding, beginning	20,603,396	\$ 4.64	22,369,718	\$ 5.03
Warrants issued	-	-	-	-
Warrants exercised	(187,500)	0.80	(1,116,322)	3.26
Warrants expired	-	-	(650,000)	19.93
Warrants outstanding, ending	<u>20,415,896</u>	<u>\$ 4.68</u>	<u>20,603,396</u>	<u>\$ 4.64</u>

At June 30, 2020, all warrants outstanding were exercisable. Details of warrants outstanding as at June 30, 2020 are as follows:

<u>Exercise Price</u>	<u>Weighted average contractual life</u>	<u>Number of warrants outstanding</u>
Non-Transferable Warrants		
\$0.80 CAD - \$16.00 CAD	1.33 years	10,822,559
\$2.00 USD - \$24.00 USD	3.65 years	5,091,969
Transferable Warrants		
\$4.25 USD	3.11 years	4,501,368
Warrants outstanding, ending	<u>2.30 years</u>	<u>20,415,896</u>

12. Share Based Reserves

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

13. General and administrative expenses

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Rent	\$ 90,119	\$ 73,609	\$ 207,365	\$ 195,484
Office expenses	249,746	417,795	773,087	774,339
Legal and professional	730,555	316,179	1,200,010	821,702
Consulting fees	377,360	402,027	773,878	838,603
Investor relations	77,490	62,171	219,851	208,702
Salaries	620,677	319,882	1,183,576	665,508
	<u>\$ 2,145,947</u>	<u>\$ 1,591,663</u>	<u>\$ 4,357,767</u>	<u>\$ 3,504,338</u>

14. Research and development expenses

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Labor	\$ 1,223,260	\$ 1,151,195	\$ 2,457,804	\$ 2,341,224
Materials	691,858	1,145,503	988,860	1,599,029
Government grants	-	(381,193)	-	(381,193)
	<u>\$ 1,915,118</u>	<u>\$ 1,915,505</u>	<u>\$ 3,446,664</u>	<u>\$ 3,559,060</u>

15. Sales and marketing expenses

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Consulting	\$ 159,687	\$ 96,976	\$ 260,415	\$ 223,829
Marketing	129,030	170,761	177,176	288,143
Salaries	123,339	172,801	324,692	300,566
	<u>\$ 412,056</u>	<u>\$ 440,538</u>	<u>\$ 762,283</u>	<u>\$ 812,538</u>

16. Other Income

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Paycheck Protraction Program Loan ¹	\$ 185,284	\$ -	\$ 185,284	\$ -
Industrial Research Assistance Program Funding	243,936	-	243,936	-
Canada Emergency Wage Subsidy	79,834	-	79,834	-
Miscellaneous income	-	14,383	10,141	53,928
	<u>\$ 509,054</u>	<u>\$ 14,383</u>	<u>\$ 519,195</u>	<u>\$ 53,928</u>

¹ On May 21, 2020, the Company entered into a promissory note evidencing an unsecured loan in the amount of US\$133,700 made to the Company under the Paycheck Protection Program (the "Loan"). The Paycheck Protection Program (or "PPP") was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration. The Loan to the Company is being made through BMO Harris Bank National Association (the "Lender").

The Loan bears interest rate of 1% per year and matures in 24 months from the date of the Loan. Beginning seven months from the date of the Loan, the Company is required to make 18 monthly payments of principal and interest.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any covered payments of mortgage interest, rent and utilities.

As at June 30, 2020, the Company has used all proceeds from the PPP loan to maintain payroll and make lease and utility payments. The Company has the ability and intent to meet the loan forgiveness conditions for the PPP Loan in accordance with the established guidelines issued by the U.S Small Business Administration. Accordingly, the Company has accounted for the PPP Loan as a government grant in accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance.

During the three months ended June 30, 2020, the Company received \$243,936 from the Industrial Research Assistance Program Funding and \$79,834 in Canada Emergency Wage Subsidy relief related to COVID-19. This governmental assistance received is non-repayable and was accounted for as government grants related to income in accordance with IAS 20.

17. 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.

	<u>Three months ended June 30, 2020</u>		<u>Three months ended June 30, 2019</u>	
	<u>Electric Vehicles</u>	<u>Custom Built Vehicles</u>	<u>Electric Vehicles</u>	<u>Custom Built Vehicles</u>
Revenue	\$ -	\$ 16,676	\$ -	\$ 159,862
Gross loss	-	(22,146)	-	(6,790)
Operating expenses	6,038,572	61,631	4,851,399	79,741
Other items	6,918,555	(109,234)	(8,214,577)	(436)
Income tax/(recovery)	-	4,675	2,140	(6,419)
Net (income)/loss	<u>12,957,127</u>	<u>(20,782)</u>	<u>(3,361,038)</u>	<u>79,676</u>

	<u>Six months ended June 30, 2020</u>		<u>Six months ended June 30, 2019</u>	
	<u>Electric Vehicles</u>	<u>Custom Built Vehicles</u>	<u>Electric Vehicles</u>	<u>Custom Built Vehicles</u>
Revenue	\$ -	\$ 133,489	\$ -	\$ 261,266
Gross loss	-	(72,428)	-	(1,538)
Operating expenses	12,838,933	123,050	11,010,624	192,261
Other items	1,889,120	(52,806)	6,188,326	2,789
Income tax/(recovery)	-	(26,199)	2,140	(49,175)
Net loss	<u>14,728,053</u>	<u>116,473</u>	<u>17,201,090</u>	<u>147,413</u>

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Electric Vehicles</u>	<u>Custom Built Vehicles</u>	<u>Electric Vehicles</u>	<u>Custom Built Vehicles</u>
Inventory	\$ 689,884	\$ 619,774	\$ 307,225	\$ 442,926
Plant and equipment	<u>9,499,568</u>	<u>380,403</u>	<u>9,580,326</u>	<u>410,216</u>

18. Related party transactions

Related party balances

The following amounts are due to related parties:

	June 30, 2020	December 31, 2019
Shareholder loan	\$ -	\$ 2,076
Due to related parties (Note 8)	33,225	275,512
	<u>\$ 33,225</u>	<u>\$ 277,588</u>

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

Key management personnel compensation

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Consulting fees	\$ 62,502	\$ 118,398	\$ 125,004	\$ 236,796
Salary	303,898	154,667	604,765	298,667
Directors fees	108,087	77,928	248,917	160,478
Stock-based compensation	1,381,681	308,626	3,841,448	1,956,146
	<u>\$ 1,856,168</u>	<u>\$ 659,619</u>	<u>\$ 4,820,134</u>	<u>\$ 2,652,087</u>

19. 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 refundable government goods and services taxes and interest receivable from major financial institutions with a high credit rating.

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 and public offerings. 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 June 30, 2020 and December 31, 2019:

At June 30, 2020	Within one year	Between one and five years	More than five years
Trade payables	\$ 656,681	-	-
Accrued liabilities	229,134	-	-
Due to related parties	33,225	-	-
Shareholder loan	-	-	-
	<u>\$ 919,040</u>	<u>\$ -</u>	<u>\$ -</u>
At December 31, 2019	Within one year	Between one and five years	More than five years
Trade payables	\$ 693,502	-	-
Accrued liabilities	1,159,212	-	-
Due to related parties	275,512	-	-
Shareholder loan	2,076	-	-
	<u>\$ 2,130,302</u>	<u>\$ -</u>	<u>\$ -</u>

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See Note 9 for information on maturity schedule for lease liabilities.

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 the Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars:

	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 50,496,901	\$ 10,555,007
Restricted cash	85,923	81,981
Receivables	84,397	192,998
Trade payables and accrued liabilities	(592,487)	(105,896)
	<u>\$ 50,074,734</u>	<u>\$ 10,724,090</u>

Based on the above net exposures, as at June 30, 2020, a 10% change in the US dollar to Canadian dollar exchange rate would impact the Company's net loss by \$5,007,473 (June 30, 2019 - \$1,983,111).

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 12 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 \$495,842 for the six months ended June 30, 2020 (June 30, 2019 - \$185,498).

Classification of financial instruments

Financial assets included in the consolidated statements of financial position are as follows:

	June 30, 2020	December 31, 2019
Amortized cost:		
Cash and cash equivalents	\$ 51,252,752	\$ 11,095,848
Restricted cash	188,463	184,314
Receivables	143,885	144,391
	<u>\$ 51,585,100</u>	<u>\$ 11,424,553</u>

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

	June 30, 2020	December 31, 2019
Non-derivative financial liabilities:		
Trade payable and accrued liabilities	\$ 919,040	\$ 2,128,226
Shareholder loan	-	2,076
Derivative financial liabilities:		
Derivative liability	9,984,337	7,072,134
	<u>\$ 10,903,377</u>	<u>\$ 9,202,436</u>

Fair value

The fair value of the Company's financial assets and liabilities, other than the derivative liability which is measured at fair value, 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 June 30, 2020 consisted of the derivative liability, which includes transferrable warrants and non-transferrable warrants. Transferrable warrants are measured using level 1 inputs and non-transferrable warrants are measured using level 2 inputs.

The fair value of the derivative liability relating to the transferrable warrants was calculated using the quoted market price on the NASDAQ exchange.

The fair value of the derivative liability relating to the non-transferrable warrants was calculated using the Black-Scholes Option Pricing Model using historical volatility of comparable companies as an estimate of future volatility. At June 30, 2020, if the volatility used was increased by 10% the impact would be an increase to the derivative liability of \$568,461 (June 30, 2019 - \$620,024) with a corresponding increase in comprehensive loss.

20. 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 six months ended June 30, 2020. The Company is not subject to any externally imposed capital requirements.

21. Subsequent event

From July 1, 2020 to the reporting date, the Company issued 1,232,500 shares at a price of US\$2.56 per share for gross proceeds of US\$3,155,200 for warrants exercised by investors. These warrants were granted to investors through a concurrent placement with the offering of 4,250,000 common shares on November 9, 2018.

On July 7, 2020, the Company issued 28,517 shares at a price of US\$3.20 per share for no consideration in relation to 75,315 warrants exercised by a placement agent granted under a Placement Agent Agreement on November 9, 2018.

From July 1, 2020 to the reporting date, the Company issued 81,250 shares at prices ranging from of \$2.00 to \$4.00 per share for gross proceeds of \$182,500 for warrants exercised by investors.

From July 1, 2020 to the reporting date, the Company issued 135,171 shares at prices ranging from of \$0.30 to \$2.00 per share for gross proceeds of \$88,644 for options exercised by investors.

On July 13, 2020, the Company and the Agents amended the Sales Agreement for ATM offering to increase the aggregate offering price to up to US\$59,500,000 (Note 11). From July 14, 2020 to the reporting date, the Company has issued 4,412,804 Shares for the ATM offering for gross proceeds of US\$15,926,266. Share issue costs related to the ATM offering are US\$478,140.

CERTIFICATION

I, Michael Paul Rivera, certify that:

- (1) I have reviewed this Quarterly Report on Form 6-K for the quarterly period ended June 30, 2020 of Electrameccanica Vehicles Corp.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2020.

/s/ Michael Paul Rivera

By: **Michael Paul Rivera**
Title: Chief Executive Officer (Principal Executive Officer)

CERTIFICATION

I, Baljinder K. Bhullar, certify that:

- (1) I have reviewed this Quarterly Report on Form 6-K for the quarterly period ended June 30, 2020 of Electrameccanica Vehicles Corp.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2020.

/s/ Baljinder K. Bhullar

By: **Baljinder K. Bhullar**

Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
