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ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOVEMBER 30, 2020

ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Introduction

Management's discussion and analysis ("MD&A") provides our viewpoint on our Company, performance and strategy. "We," "us," "our," "Company" and "Electrovaya" include Electrovaya Inc. and its wholly-owned or controlled subsidiaries, as the context requires.

Our Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A on November 30, 2020 and it is, therefore, dated as at that date. This MD&A includes the operating and financial results for the years ending September 30, 2020 and 2019, and should be read in conjunction with our consolidated financial statements. It includes comments that we believe are relevant to an assessment of and understanding of the Company's consolidated results of operations and financial condition. The financial information herein is presented in thousands of US dollars unless otherwise noted (except per share amounts, which are presented in US dollars unless otherwise noted), in accordance with International Financial Reporting Standards ("IFRS"). Additional information about the Company, including Electrovaya's current annual information form, can be found on the SEDAR website for Canadian regulatory filings at www.sedar.com.

Forward-looking statements

This MD&A contains forward-looking statements, including with respect to revenue forecasts (in particular the revenue forecasts for fiscal year 2021), EBITDA and factors impacting revenue, the competitive position of the Company's products, global trends in technology supply chains, our strategic objectives and financial plans, the Company's products, the effect of the global COVID-19 novel coronavirus pandemic, the supply chain implications of COVID-19 along with its effects on demand from customers, cost implications, health implications to employees and other stakeholders, effect on the Company's delivery schedule, continually increasing the Company's intellectual property portfolio, additional capital raising activities, actions taken by creditors and remedies granted by German courts in the Litarion insolvency proceedings and their effect on the Company's business and assets, expected productivity and efficiency gains from relocation of the Company's head office, and also with respect to the Company's markets, objectives, goals, strategies, intentions, beliefs, expectations and estimates generally. Forward-looking statements can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "possible", "expect", "intend", "estimate", "anticipate", "believe", "plan", "objective" and "continue" (or the negatives thereof) and words and expressions of similar import. Readers and investors should note that any announced estimated and forecasted orders and volumes provided by customers and potential customers to Electrovaya also constitute forward-looking information and Electrovaya does not have (a) knowledge of the material factors or assumptions used by the customers or potential customers to develop the estimates or forecasts or as to their reliability and (b) the ability to monitor the performance of the business its customers and potential customers in order to confirm that the forecasts and estimates initially represented by them to Electrovaya remain valid. If such forecasts and estimates do not remain valid, or if firm irrevocable orders are not obtained, the potential estimated revenues of Electrovaya could be materially and adversely impacted.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, the outcome of such statements involve and are dependent on risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Material assumptions used to develop forward-looking information in this MD&A include, among other things, that current customers will continue to make and increase orders for the Company's products; that the Company's alternate supply chain will be adequate to replace material supply and manufacturing; that the Company's products will remain competitive with currently-available alternatives in the market; that the alternative energy market will continue to grow and the impact of that market on the Company; the purchase orders actually placed by customers of Electrovaya; customers not terminating or renewing agreements; general business and economic conditions (including but not limited to currency rates and creditworthiness of customers); the relative effect of the global COVID-19 public health emergency on the Company's business, its customers, and the economy generally; that the Company's interpretation of the effect of any comfort given to Litarion's auditors of the Company's financial support for Litarion's operations is correct, that Litarion's insolvency process will proceed in an orderly fashion that will satisfy Litarion's debt without a significant negative effect on the Company or its assets, actions taken by creditors and remedies granted by German courts in the Litarion insolvency proceedings and their effect on the Company's business and assets, and negative reactions of the Company's existing customers to Litarion's insolvency process, Company liquidity and capital resources, including the availability of additional capital resources to fund its activities; level of competition; changes in laws and regulations; legal and regulatory proceedings; the ability to adapt products and services to changes in markets; the ability to retain existing customers and attract new ones; the ability to attract and retain key executives and key employees; the granting of additional intellectual property protection; and the ability to execute strategic plans. Information about risks that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found herein under the heading "Qualitative and Quantitative Disclosures About Risks and Uncertainties", in the Company's Annual Information Form ("AIF") for the year ended September 30, 2020 under the heading "Risk Factors", and in other public disclosure documents filed with Canadian securities regulatory authorities. The Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained or incorporated by reference in this document, whether as a result of new information, future events or otherwise, except as required by law.

Revenue and EBITDA forecasts herein constitute future-oriented financial information and financial outlooks (collectively, "FOFI"), and generally, are, without limitation, based on the assumptions and subject to the risks set out above under "Forward-Looking Statements". Although management believes such assumption to be reasonable, a number of such assumptions are beyond the Company's control and there can be no assurance that the assumptions made in preparing the FOFI will prove accurate. FOFI is provided for the purpose of providing information about management's current expectations and plans relating to the Company's future performance, and may not be appropriate for other purposes. The FOFI does not purport to present the Company's financial condition in accordance with IFRS, and it is expected that there may be differences between actual and forecasted results, and the differences may be material. The inclusion of the FOFI in this news release disclosure should not be regarded as an indication that the Company considers the FOFI to be a reliable prediction of future events, and the FOFI should not be relied upon as such.

ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. OUR BUSINESS

Electrovaya Inc. designs, develops and manufactures directly or through out-sourced manufacturing lithium ion batteries for Material Handling Electric Vehicles ("MHEV") and other electric transportation applications, as well for electric stationary storage and other battery markets. Our main businesses include:

(a) lithium ion battery systems to power MHEV including fork-lifts as well as accessories such as battery chargers to charge the batteries;

(b) lithium ion batteries for other transportation applications; and,

(c) industrial and residential products for energy storage.

The Company has a battery and battery systems research and manufacturing facility in Mississauga, Ontario. In December 2019, Electrovaya moved its corporate head office to 6688 Kitimat Road in Mississauga, Ontario. The new location, which comprises approximately 62,000 square feet, is designed to enhance the Company's productivity and efficiency. For further information, see "Liquidity and Capital Resources".

The Company researches in many areas of lithium ion batteries and has developed and patented a number of items in the lithium ion battery area. Electrovaya carries out engineering development at this facility, including assembly of complete battery systems. The Company has operating personnel at our headquarters in Canada and sales personnel in the USA.

Electrovaya has a team of mechanical, electrical, electronic, battery, electrochemical, materials and system engineers able to give clients a "complete solution" for their energy and power requirements. Electrovaya also has substantial intellectual property in the lithium ion battery sector.

Management believes that our battery and battery systems contain a unique combination of characteristics that enable us to offer battery solutions that are competitive with currently available advanced lithium ion and non-lithium ion battery technologies. These characteristics include:

- *Scalability and pouch cell geometry*: We believe that large-format pouched prismatic (flat) cells represent the best long-term battery technology for use in large electro-motive and energy storage systems.

- *Safety*: We believe our batteries provide a high level of safety in a lithium ion battery. Safety in lithium ion batteries is becoming an important performance factor and Original Equipment Manufacturers ("OEMs") and users of lithium ion batteries prefer to have the highest level of safety possible in lithium ion batteries.

- *Cycle-life*: Our cells are in the forefront of battery manufacturers with respect to cycle-life, with excellent rate capabilities. Cycle-life is generally controlled by the parasitic reactions inside the cell and these reactions have to be reduced in order to deliver industry leading cycle-life. Higher cycle-life is of importance in many intensive applications of lithium ion batteries.

- Energy and Power: Our batteries give industry leading combination of energy and power and can be application specific.

- Our Battery Management System ("BMS") has developed over the years, and provides excellent control and monitoring of the battery with advanced features as well as communication to many chargers, electric vehicles and other devices.

2. OUR STRATEGY

We have developed a series of products which focus on maximising the cycle-life of the battery such that mission critical and intensive use applications would be interested in such long life batteries while giving appropriate energy and power. We developed cells, modules, battery management systems, software and firmware necessary to deliver systems for discerning users. We also developed supply chains which can produce needed components including separators, electrolytes with appropriate additives, cells and cell assembly, modules, electronic boards, electrical and mechanical components as needed for our battery systems. Supply chains allow flexibility in production as well as ability to manage scalable and fluctuating demands, especially for emerging new product introductions. The global trend in technology products is to use high quality supply chains to achieve scalable production and reduce or eliminate ownership of component suppliers. The battery systems we have developed are focused on mission critical applications, where the battery has to be used for long durations and could be charged and discharged several times a day. Electrovaya has moved away from owning component suppliers and making use of higher levels of contract manufacturing to produce its customised requirements.

Our goal is to utilize our battery and systems technology to develop and commercialize mass-production levels of battery systems for our targeted end markets.

To achieve these strategic objectives, we intend to:

- Establish global strategic relationships in order to broaden the market potential of our products and services;

- Develop and commercialize leading-edge technology for the stationary grid, zero-emission vehicle, as well as partnering with key large organizations to bring them to market;

- Invest in research and development initiatives related to new technologies that reduce the costs of our products, but enhance the operating performance, of our current and future products; and,

- Focus on intensive use and mission critical applications such as the logistics and e-commerce industry, automated guided vehicles, electric buses, energy storage and similar other applications.

3. RECENT DEVELOPMENTS

In December 2019, Electrovaya moved its corporate head office to 6688 Kitimat Road in Mississauga, Ontario. The new location, which comprises approximately 62,000 square feet, is designed to enhance the Company’s productivity and efficiency.

Also in December, 2019, the Company announced that it received a $4 million (C$5.2 million) purchase order for forklift battery systems. This order was from an existing customer and had been received through the Company’s OEM distribution channel.

In February 2020, the Company announced that it has acquired 30 key ceramic separator and battery issued patents that were previously owned by Litarion GmbH. The patents concern the design, manufacture and application of ceramic composite separators in lithium ion batteries as well as a novel battery design. Electrovaya's batteries features ceramic separator and provides industry-leading cycle life, safety, energy and power.

In April 2020, the Company announced that it has amended the terms of its C$15 million 9% convertible debentures. The amendment allows the Company to satisfy the entire C$15 million principal amount by issuing 11,111,111 common shares, paying C$2 million in cash and paying a final amount of C$2 million in by September 29, 2020, an equivalent of about C$6 million dollars. The Company paid the remaining $2 million on September 29, 2020 and the C$15 million 9% convertible debentures have now been fully repaid.

Also in April 2020, the Company announced a C$4.5 million purchase order facility is in addition to a C$1.5 million working capital facility and a specific purchase order facility of Cdn $5.5 million, from a Canadian financial institution.

In July 2020, the Company announced it received a purchase order valued at $3 million (C$4 million) for lithium ion batteries for electric lift trucks. Also in July 2020, the Company increased the working capital facility from C$1.5 million to C$4.5 million.

In September 2020, the company announced that the two purchase order facilities of C$5.5 million and C$4.5 million for a total of $10 million had been repaid from Electrovaya’s operating cash flows. These loans were specifically for the fulfilment of battery deliveries to Walmart Canada and to a Raymond Corporation client in the USA, respectively.

Also in September 2020, the Company announced that it had closed an agreement with its lender, a Canadian financial institution, to increase the amount available under its existing working capital facility from C$4.5 million to C$7.0 million. To repay the cash amounts outstanding under the debentures, the Company amended an existing promissory note with the same lender, Canadian financial institution. The initial note of C$680K was advanced in January 2020 and increased to C$2.83 million in April and to C$6 million in September 2020. The funds advanced were used to settle $4.680 million of obligations under the C$15 million 9% convertible debentures with the remaining amount available for general corporate purposes.

In November 2020 Electrovaya announced that it had achieved UL2580 ("Underwriters Laboratories" or "UL") listing across its line of 24V and 36V forklift batteries. The safety certification covers more than 25 different models and is a key milestone for the Company. This UL certification shows the Company's continued commitment to safety and quality. Our R&D and Engineering teams were responsible for achieving this listing, which also leverages some of the key safety technologies that Electrovaya owns, including critical cell and systems IP. These technologies will be critical for broad implementation of lithium ion battery technology.

To achieve the UL2580 certification, UL LLC completed multiple system level tests on Electrovaya's batteries, including fire propagation at both ambient and elevated temperatures, and other electrical and mechanical tests. Furthermore, UL completed full functional testing and provided UL991 and UL1998 certifications relating to Electrovaya's fifth generation proprietary Battery Management System.

3.2 Business Highlights and 2021 Outlook

Business Highlights – Q4 FY2020:

- Electrovaya completed deliveries on the C$7.3 million purchase order of lithium ion batteries from Walmart Canada. The Company also announced the C$5.5 million credit facility that was used to finance the order, was fully repaid.
- Electrovaya announced that the final payment on its amended C$15 million, 9% convertible debentures was made and all obligations under the debt settled. The Company also announced that an additional C$4.5 million purchase order facility was repaid. In total, C$25 million of debt was settled during the quarter.
- Electrovaya announced that its working capital facility was increased to a maximum of C$7 million, and its promissory note was increased to C$6 million. This provides the working capital necessary to continue the Company's strong growth.
- Subsequent to Q4 FY2020, in November 2020, Electrovaya announced that it achieved UL2580 listing across its line of 24V and 36V forklift batteries. The safety certification covers more than 25 different models and demonstrates the Company's continued commitment to safety and quality.
- Electrovaya's batteries are currently powering e-forklift systems in more than 40 locations.

Positive Financial Outlook:

Electrovaya is experiencing strong and growing customer demand for its battery products through both of its key sales channels: direct sales to end customers and OEM distribution. Accordingly, the Company currently anticipates that revenue in the 2021 fiscal year will exceed $28 million (C$37 million), which was the approximate annualized run rate in Q4 FY2020. The Company also anticipates continued positive EBITDA[1] growth in the fiscal year 2021, barring unforeseen circumstances. See "Forward-Looking Statements".

[1] Non-IFRS Measure: EBITDA does not have a standardized meaning under IFRS. Therefore it is unlikely to be comparable to similar measures presented by other issuers. We believe that certain investors and analysts use EBITDA to measure the performance of the business. EBITDA is defined as loss from operations, plus finance costs, plus stock-based compensation costs.

4. SELECTED ANNUAL FINANCIAL INFORMATION

4.1 Selected Annual Financial Information for the Years ended September 30, 2020, 2019 and 2018

Results of Operations

(Expressed in thousands of U.S. dollars, except per share amounts and gross margin %)	*Year ended September 30,*		
	2020	*2019*	*2018*
Revenues	*$14,525*	*$4,891*	*$5,633*
Direct manufacturing costs	*9,592*	*2,949*	*3,869*
Gross margin	*4,933*	*1,942*	*$1,764*
Gross margin %	*34%*	*40%*	*31%*
Expenses	*8,621*	*8,889*	*11,648*
Income(loss) before undernoted	*(3,688)*	*(6,947)*	*(9,884)*
Amortization	*209*	*109*	*308*
Income(loss) from operations	*(3,897)*	*(7,056)*	*(10,192)*
Gain on sale of property	*-*	*4,184*	*-*
Gain on redemption of debentures	*5,175*	*-*	*-*
Foreign exchange gain(loss)& interest income	*(166)*	*35*	*20*
Net income(loss) from continued operations	*1,112*	*(2,837)*	*(10,172)*
Loss from discontinued operations	*-*	*-*	*(12,485)*
Net income(loss) for the year	*$1,112*	*$(2,837)*	*$(22,657)*
Net income(loss) per share	*$0.01*	*$(0.03)*	*$(0.23)*

Key performance indicators

In addition to operating results and financial information described above, management reviews the following measures (which are not measures defined under IFRS):

EBITDA[1]	**Year ended September 30,**		
(expressed in thousands of U.S. dollars)	**2020**	**2019**	**2018**
Income(loss) from operations	*$(3,897)*	*$(7,056)*	*$(10,172)*
Finance cost	*3,097*	*2,120*	*3,451*
Stock based compensation	*144*	*1,120*	*290*
Amortization	*209*	*109*	*308*
EBITDA[1]	*$(447)*	*$(3,707)*	*$(6,123)*

[1] Non-IFRS Measure: EBITDA does not have a standardized meaning under IFRS. Therefore it is unlikely to be comparable to similar measures presented by other issuers. We believe that certain investors and analysts use EBITDA to measure the performance of the business. EBITDA is defined as loss from operations, plus finance costs, plus stock-based compensation costs.

EBITDA has improved substantially primarily due to increased sales, maintaining gross margin percentage and controlling operating expenses. We continue our efforts for sales growth, control of manufacturing costs and reduction operating expenses. We believe EBITDA is a useful measure in providing investors with information regarding our financial performance and is an accepted measure in our industry. It is not a measure of financial performance under IFRS, and may not be defined and calculated in the same manner by other companies and should not be considered in isolation or as an alternative to Income(loss) from operations. See "Non-IFRS measures" below.

Operating Segments

The Company has reviewed its operations and determined that it operates in one business segment and has only one reporting unit. The Company develops, manufactures and markets power technology products.

Revenue derived from US and European customers, as a percentage of the Company's revenue, was approximately 52% in 2020. Revenue derived from US and European customers as a percentage of the Company's revenue was approximately 74% in 2019. Revenue increased for the year ended September 30, 2020 compared to 2019 due to an increase in revenues from large format batteries.

For the years ended September 30, 2020, 2019 and 2018, revenues from major business activities were as follows:

	2020	2019	2018
Large Format Batteries			
From continued operations	$12,964	$4,850	$5,330
From discontinued operations	-	-	-
Large Format Batteries	12,964	4,850	5,330
Other			
From continued operations	1,561	41	303
From discontinued operations	-	-	865
Other	1,561	41	1,168
Total Revenue			
From continued operations	14,525	4,891	5,633
From discontinued operations	-	-	865
Total Revenue	$14,525	$4,891	$6,498

The increase in large format batteries revenue of $8,114 from 2019 to 2020 is primarily due to higher revenues from Canadian and US customers.

Other revenue increased by $1,520 in 2020 as compared to 2019 due to Government subsidies.

For the years ended September 30, 2020, 2019 and 2018, revenues attributed to regions based on location of customer were as follows:

	2020	2019	2018
Canada			
From continued operations	$6,939	$757	$3,820
From discontinued operations	-	-	-
Canada	6,939	757	3,820
United States			
From continued operations	7,511	3,731	1,785
From discontinued operations	-	-	-
United States	7,511	3,731	1,785
Germany			
From continued operations	-	-	28
From discontinued operations	-	-	865
Germany	-	-	893
Norway			
From continued operations	-	-	-
From discontinued operations	-	-	-
Norway	-	-	-
Others			
From continued operations	75	403	-
From discontinued operations	-	-	-
Others	75	403	-
Total revenue			
From continued operations	14,525	4,891	5,633
From discontinued operations	-	-	865
Total revenue	$14,525	$4,891	$6,498

Operating losses for continued operations, represented by Loss Before Foreign Exchange and Interest, Taxes and Amortization, decreased by $3,259 from 2019 to 2020 primarily because of an increase in revenue of $9,634, a decrease in research and development costs of $114, an increase in government assistance of $273, a decrease in sales and marketing expenses of $16, a decrease in stock based compensation costs of $976 offset by an increase cost of goods sold of $6,643, an increase in general and administration costs of $90, an increase in financing costs of $977, and an increase in patent costs of $44.

The Company has not paid a dividend from the date of its inception.

4.2 Quarterly Financial Results

Results of Operations
(Expressed in thousands of U.S. dollars, except per share amounts and gross margin %)

2020

	Q1	Q2	Q3	Q4	2020
Total Revenue	$861	$1,947	$4,799	$6,918	$14,525
Direct manufacturing costs	541	1,123	3,097	4,831	9,592
Gross Margin	320	824	1,702	2,087	4,933
GM%	37%	42%	35%	30%	34%
Expenses					
Research & development	404	1048	860	437	2,749
Government assistance	-	-	(226)	(47)	(273)
Sales & marketing	230	157	127	603	1,117
General & administrative	502	578	402	228	1,710
Stock based compensation	43	15	14	72	144
Finance Cost	896	446	525	1,230	3,097
Patent & trademark expenses	8	12	36	21	77
	2,083	2,256	1,738	2,544	8,621
	(1,763)	(1,432)	(36)	(457)	(3,688)
Depreciation	2	96	92	19	209
Income (Loss) from operations	(1,765)	(1,528)	(128)	(476)	(3,897)
Gain on redemption of debentures	-	-	5,156	19	5,175
Foreign exchange gain (loss)	(144)	420	(203)	(239)	(166)
Net Income (Loss)	$(1,909)	$(1,108)	$4,825	$(696)	$1,112

	2019				
	Q1	Q2	Q3	Q4	2019
Revenue	$1,972	$1,253	$1,162	$504	$4,891
Direct manufacturing costs	1,251	812	750	136	2,949
Gross Margin	721	441	412	368	1,942
GM%	37%	35%	35%	73%	40%
Expenses					
Research & development	927	878	391	667	2,863
Sales & marketing	358	312	239	224	1,133
General & administrative	539	406	330	345	1,620
Stock based compensation	49	57	56	958	1,120
Finance Cost	582	508	473	557	2,120
Patent & trademark expenses	14	13	6	0	33
	2,469	2,174	1,495	2,751	8,889
	(1,748)	(1,733)	(1,083)	(2,383)	(6,947)
Depreciation	19	19	18	53	109
Income (Loss) from operations	(1,767)	(1,752)	(1,101)	(2,436)	(7,056)
Gain on sale of property	4,163	-	14	7	4,184
Foreign exchange gain (loss)	360	(132)	(139)	(54)	35
Net Income (Loss)	2,756	(1,884)	(1,226)	(2,483)	(2,837)

For the three months period September 30, 2020, total revenue increased by 1,273% to $6,918 from $504 for the quarter ended September 30, 2019.

For the years ended September 30, 2020 and 2019, revenue was $14,525 and $4,891 respectively. The $9,634 or 197% increase in revenue resulted from higher order volume for large format batteries during the current fiscal year.

For the year ended September 30, 2020 two customers represented more than 10% of total revenue (year ended September 30, 2019 - four customers). Our largest customer accounted for 39.4% and 18.9% of total revenue for the years ended September 30, 2020 and of 2019 respectively.

Continued advances in technology and a highly competitive market are more significant factors than general economic conditions and specific price changes when considering major impacts on revenue. In particular, the alternative energy market continues to be robust and the Company believes that new and important opportunities will potentially be available to it.

A number of large companies are testing Electrovaya's ELivate line of batteries in their MHEVs for intensive use applications.

Management is not aware of any fluctuations in revenue due to seasonality.

Direct Manufacturing Costs. Direct manufacturing costs are comprised of the material, labour and manufacturing overhead, excluding amortization, associated with the production of batteries and battery packs for Electric Vehicles, stationary grid applications and research and engineering service revenues.

For the quarter ended September 30, 2020, direct manufacturing costs increased by $4,695 to $4,831 from $136 for the quarter ended September 30, 2019 primarily due to higher costs associated with increased revenue during the current quarter as compared to the same quarter prior year.

For the year ended September 30, 2020, direct manufacturing costs increased to $9,592 from $2,949 for the year ended September 30, 2019. The $6,643 or 225.3% increase was primarily due to higher costs associated with increased revenue during the current year as compared to the prior year.

Revenue less Direct Manufacturing Costs was a profit of $2,087 or 30.2% of revenue for the three months ended September 30, 2020 compared to a profit of $368 or 73% of revenue for the three months ended September 30, 2019.

For the years ended September 30, 2020 and 2019, gross margins were $4,933 or 34% and $1,942 or 40% respectively.

Expenses

Research and Development. Research and development expenses consist primarily of compensation and premises costs for research and development personnel and activities, including independent contractors and consultants, direct materials and allocated overhead.

Research and development expenses, net of investment tax credits (ITC), decreased by $230 during the quarter ended September 30, 2020 to $437 from $667 in the same quarter in the prior year.

Compared to the year ended September 30, 2019, research and development expenses, net of ITC decreased by $114 or 4% from $2,863 to $2,749 during the year ended September 30, 2020.

Sales and Marketing. Sales and marketing expenses are comprised of the salaries and benefits of sales and marketing personnel, marketing activities, advertising and other costs associated with the sales of Electrovaya's product lines.

For the quarters ended September 30, 2020 and 2019, sales and marketing expenses were $603 and $224 respectively. The $379 or 169.2% increase was primarily due to an increase in the development of demo products, volume rebates and consulting fees during the quarter ended September 30, 2020.

Compared to the year ended September 30, 2019, sales and marketing expenses decreased by $16 or 1.4% from $1,133 to $1,117 due to a decrease in the salaries and benefits during the year ended September 30, 2020.

General and Administrative. General and administrative expenses include salaries and benefits for corporate personnel, insurance, professional fees, reserves for bad debts and facilities expenses. The Company's corporate administrative staff includes its executive officers and employees engaged in business development, financial planning and control, legal affairs, human resources and information technology.

For the quarters ended September 30, 2020 and 2019, general and administrative expenses were $228 and $345 respectively. The $117 or 34% decrease was primarily due to lower costs in legal and professional fees and insurance costs in Q4 2020.

For the years ended September 30, 2020 and 2019, general and administrative expenses were $1,710 and $1,620 respectively. The $90 or 5.6% increase was primarily due to approximately higher costs in consulting fees in the fiscal year ended September 30, 2020 as compared to fiscal year ended September 30, 2019.

Stock based compensation. Non-cash stock-based compensation expense decreased by $886 to $72 for the quarter ended September 30, 2020 compared to the same quarter in 2019 primarily due to lower expensing of the fair value of stock options that vested issued during the current quarter.

For the years ended September 30, 2020 and 2019, stock-based compensation expenses were $144 and $1,120 respectively. The $976 or 87.1% decrease was primarily due to lower expensing of the fair value of stock options that vested during the year ended September 30, 2020 as compared to the previous year ended September 30, 2019.

Financing costs. For the quarters ended September 30, 2020 and 2019, financing costs were $1,230 and $557 respectively.

For the years ended September 30, 2020 and 2019, financing costs were $3,097 and $2,120 respectively. The $977 or 46.1% increase was primarily due to increased in short term financing and long-term financing during the year ended September 30, 2020 as compared to the previous year ended September 30, 2019.

Patent and trademark costs. Patent and trademark expense increased from $Nil in the same quarter in the prior year to $21 for the quarter ended September 30, 2020.

For the years ended September 30, 2020 and 2019, patent and trademark expenses were $77 & $33 respectively.

Net Profit/(Loss)

Quarterly net profits/(losses) from continued operations are as follows:

($ thousands)	**Q1**	**Q2**	**Q3**	**Q4**
2020	$(1,909)	$(1,108)	$4,825	$(696)
2019	$2,756	$(1,884)	$(1,226)	$(2,483)
2018	$(2,683)	$(2,667)	$(2,499)	$(2,323)

The decrease in the net loss from the fourth quarter of fiscal 2019 to the fourth quarter of fiscal 2020 was due to an increase in revenue, a decrease in research and development costs, a decrease in general and administration cost, a decrease in stock based compensation expense, a decrease in amortization costs, an increase in government assistance offset by an increase in cost of goods sold, an increase in financing costs, an increase in sales and marketing expenses, a decrease in foreign exchange gain and interest income, and an increase in patent and trademark expenses.

Quarterly net gains (losses) per common share from continued operations are as follows:

	Q1	**Q2**	**Q3**	**Q4**
2020	$(0.02)	$(0.01)	$0.05	(0.01)
2019	$0.03	$(0.02)	$(0.01)	$(0.03)
2018	$(0.03)	$(0.03)	$(0.03)	$(0.01)

In addition to operating results and financial information described above, management reviews the following measures (which are not measures defined under IFRS):

EBITDA[1]

(expressed in thousands of U.S. dollars)

		2020				
		Q1	**Q2**	**Q3**	**Q4**	**2020**
Income (Loss) from operations		(1,765)	(1,528)	(128)	(476)	(3,897)
Less:	Finance Cost	896	446	525	1,230	3,097
	Stock based compensation	43	15	14	72	144
	Depreciation	2	96	92	19	209
	EBITDA	(824)	(971)	503	845	(447)
	EBITDA%	-96%	-50%	10%	12%	-3%

	2019				
	Q1	Q2	Q3	Q4	2019
Income (Loss) from operations	(1,767)	(1,752)	(1,101)	(2,436)	(7,056)
Less: Finance Cost	582	508	473	557	2,120
Stock based compensation	49	57	56	958	1,120
Depreciation	19	19	18	53	109
EBITDA	(1,117)	(1,168)	(554)	(868)	(3,707)
EBITDA%	-57%	-93%	-49%	-169%	-76%

[1] Non-IFRS Measure: EBITDA does not have a standardized meaning under IFRS. Therefore it is unlikely to be comparable to similar measures presented by other issuers. We believe that certain investors and analysts use EBITDA to measure the performance of the business. EBITDA is defined as loss from operations, plus finance costs, plus stock-based compensation costs.

EBITDA has improved substantially primarily due to increased sales, maintaining gross margin percentage and controlling operating expenses. We continue our efforts for sales growth, control of manufacturing costs and reduction operating expenses. We believe EBITDA is a useful measure in providing investors with information regarding our financial performance and is an accepted measure in our industry. It is not a measure of financial performance under IFRS, and may not be defined and calculated in the same manner by other companies and should not be considered in isolation or as an alternative to Income (loss) from operations.

5. LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2020, the Company had $1,124 in cash compared to $403 and $333 as at June 30, 2020 and September 30, 2019 respectively.

Cash used in operating activities for continued operations was $3,898 for the year ended September 30, 2020 compared to $2,875 used during the year ended September 30, 2019. Net cash used in operating activities during the year ended September 30, 2020 primarily reflects a decrease in non-cash operating working capital of $2,194 offset by net income of $1,112, an increase in non-cash financing costs of $2,006, stock-based compensation expense of $144 and amortization of $209 offset by the removal of the non-operating gain on redemption of debentures of $5,175.

Working Capital Facilities

a) Purchase Order Facility

In November, 2019 the Original Credit Agreement was amended to include a $3.9 million (Cdn $5.5 million) non-revolving Purchase Order financing Facility. The facility was secured. The Company issued 1.5 million common shares to the Lender. The interest on the Purchase Order Facility was the greater of a) 10.05% per annum above the Prime Rate or b) 14% per annum. Interest is payable monthly.

In April 2020 a Second Amendment was entered into with the Canadian Financial Institution providing the Revolving Credit Facility (see below). The Purchase Order Facility was amended to be non-revolving with a maximum limit of $7.34 million (Cdn $10 million). The interest remains the same. The Company issued 576,923 common shares to the Lender.

As of September 30, 2020, the Purchase Order Facility was fully repaid from the Accounts Receivable collections associated with the specific purchase orders the facility financed.

b) Revolving Credit Facility

In August 2019 a Canadian Financial Institution provided a $1.1 million (Cdn $1.5 million) bridge loan facility of which $0.99 million (Cdn $1.4 million) was advanced on closing. The bridge loan facility was a secured non-revolving bridge facility for the fulfilment of purchase orders and general working capital purposes.

In June, 2020 the non-revolving bridge facility was amended to become a revolving credit facility with a maximum principal amount of $3.4 million (Cdn $4.5 million). As a condition of the amendment the Company issued 750,000 common shares to the Lender.

In September, 2020 the revolving credit facility was amended to increase the maximum available under the facility to $5.3 million (Cdn $7 million) from $3.4 million (Cdn $4.5 million) and the maturity date was extended from September 25, 2020 to March 31, 2021.

As at September 30, 2020 the balance owing under the facility is $4.7 million (Cdn $6.3 million).

The interest on the revolving credit facility is the greater of a) 8.05% per annum above the Prime Rate or b) 12% per annum. Interest is payable monthly.

	September 30,	
Working Capital Facilities	2020	2019
Revolving credit facility	$ 4,708	$ 1,060
	$ 4,708	$ 1,060

c) Promissory Note

In January 2020 an advance of $480 (Cdn $680k) was made to the Company on a Promissory Note bearing interest at the greater of a) 11% per annum or b) 7% per annum above the Prime Rate. The Note is repayable on demand.

In April 2020 the Promissory Note was amended and a further amount of $1.58 million (Cdn $2.15 million) was advanced bring the total Promissory Note to $2 million (Cdn

$2.83 million). The Promissory Note bears interest at the greater of a) 11% per annum or b) 7% per annum above the Prime Rate.

In September 2020 the Promissory Note was further amended and increased to $4.5 million (Cdn $6 million) of which $1.5 million (Cdn $2 million) of the proceeds were used to settle the obligation under the 9% convertible debentures. The interest remains the same. The promissory note will mature on the earlier of (a) June 30, 2021 or (b) with a renewal for a further period of 6 months to Dec 31, 2021 by mutual consent. The Company issued 885,350 common shares to the lender.

The increase in borrowing under the Amended and Restated Promissory Note was secured by Dr. Sankar Das Gupta, the Company's Chief Executive Officer and a director, personally guaranteeing the Company's payment obligation to the Facility Lender as well as pledging an additional 17,000,000 Common Shares in favour of the Facility Lender, and the Company paid a fee of $110 (Cdn $150,000) to the Facility Lender for the increase to the amount available under the Amended and Restated

Subsequent to year end, the further amendment of promissory note was secured by Dr. Das Gupta personally guaranteeing by pledging an additional 5,300,000 common shares.

Convertible Debenture

On March 27, 2017, the Company closed an offering for 9% unsecured convertible debentures (the "Debentures"), for an aggregate gross proceeds of $11,260 (Cdn $15 million).

The Debentures bore interest from the date of issue at 9% per annum, payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2017. The Debentures and matured on March 27, 2020 (the "Maturity Date").

For accounting purposes, the Debentures are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 13.5% for the Debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the Debentures and the fair value of the liability component.

Interest expense for the fiscal year ended September 30, 2020 of $519 was paid in cash (2019-$1,027 was settled by issuing 6,306,629 common shares of the Company).

In April 2020 the terms of the outstanding $10.6 million (Cdn $15 million) principal amount of Debentures was amended (the "Amendments"). Pursuant to the Amendments, the Company and its lender under the Debentures, an institutional investor (the "Debenture Lender") agreed that the Company could satisfy the entire $10.6 million (Cdn $15 million) principal amount and any accrued but unpaid interest owing under the debentures by issuing the Debenture Lender 11,111,111 Common Shares at a deemed price of CDN$0.18 per Common Share on or before April 3, 2020, paying the Debenture Lender $1.4 million (Cdn $2 million) in cash on or before April 10, 2020, and paying the Debenture Lender an additional $1.4 million (Cdn $2 million) in cash on or before September 29, 2020, an equivalent of about $4.4 million (Cdn $6 million) dollars. The Company granted the Debenture Lender subordinated security in connection with the deferred payment obligation under the Amendments.

Dr. Sankar Das Gupta, the Chief Executive Officer and a director of the Company, personally guaranteed the Company's $1.5 million (Cdn $2 million) deferred payment obligation under the Amendments.

On September 29, 2020 the Company paid the final instalment of $1.5 million (Cdn $2 million) and the debt was settled in full.

	September 30,	
Principal	2020	2019
Balance	$11,260	$11,260
Liability		
Gross proceeds	11,260	11,260
Issue costs	(751)	(751)
Equity component	(71)	(71)
Liability component initially recognized	10,438	10,438
Accretion of finance expense	2,243	1,931
Currency translation adjustments	(1,618)	(1,360)
Issue of common shares	(1,469)	-
Repayment	(2,938)	-
Fair market value of warrants issued	(747)	-
Issue of common shares for guarantee	(529)	-
Financing costs	(110)	-
Legal costs	(95)	-
Transfer to gain on redemption	(5,175)	-
Balance	$ -	$11,009

Short Term Loans

On June 25, 2019, two private companies each loaned to the Company $113 (Cdn $150K) for a total of $226 (Cdn $300k) on promissory notes for 3 month terms at 2% interest per month both fully repayable on September 24, 2019. This arrangement also carries a commitment fee of 5% deducted from the principal amount of $226 (Cdn $300K). The loans are guaranteed by the primary shareholder. The notes were renewed to an on demand basis with no specific maturity.

Management Comment

Management has developed a cash flow forecast for the 12-month period ended September 30, 2021, and manages cash and working capital closely. The forecast takes into account reasonable assumptions over both the realization of potential revenue from the sales pipeline and the timing of those revenues. Management believes it has adequate resources or access to those resources in the debt or equity markets to settle its liabilities as they fall due in the normal course of business.

The Company has significantly improved it cash from operations, liquidity and financial position. It is management's objective to work with our suppliers and customers to reduce delivery and collection times from order of material, manufacture of product, shipment to customer and collection of cash. We are focused on effectively using our working capital and managing our cash cycle.

It is managements view that cash, accounts receivable, inventory and credit facility are adequate to meet ongoing current obligations of the Company.

At September 30, 2020, we had the following contractual obligations:

Year of Payment Obligation	**Debt Repayment**
2020	$ 5,457
2021	4,503
2022	-
2023	-
2024	-
2025 & beyond	-
Total	$ 9,960

6. OUTSTANDING SHARE DATA

The authorized and issued capital stock of the Company consists of an unlimited authorized number of common shares as follows:

	Common Shares	
	Number	Amount
Balance, September 30 & December 31, 2018	103,605,271	$81,858
Issuance of shares	3,634,188	514
Balance, March 31 and June 30, 2019	107,239,459	$82,372
Issuance of shares	2,672,441	513
Balance, September 30, 2019	109,911,900	$82,885
Issuance of shares	1,500,000	239
Balance, December 31, 2019 & March 31, 2020	111,411,900	$83,124
Issuance of shares	16,741,111	2,207
Balance, June 30, 2020	128,153,011	$85,331

Issuance of shares	1,462,273	803
Balance, September 30, 2020	129,615,284	$86,134

The following table reflects the quarterly stock option activities for the period from October 01, 2018 to September 30, 2020:

	Number outstanding	Weighted average exercise price
Outstanding, October 01, 2018	4,876,003	$0.91
Cancelled or expired	(25,400)	$1.04
Outstanding, December 31, 2018	4,850,603	$0.89
Cancelled or expired	(16,000)	$0.18
Outstanding, March 31 and June 30, 2019	4,834,603	$0.87
Granted	5,452,000	$0.23
Cancelled or expired	(260,000)	$0.72
Outstanding, September 30 and December 31, 2019	10,026,603	$0.50
Cancelled or expired	(475,000)	$1.30
Outstanding, March 31, 2020 and June 30, 2020	9,551,603	$0.44
Granted	1,438,000	$0.50
Cancelled or expired	(45,000)	$2.06
Outstanding, September 30, 2020	10,944,603	$0.46

On July 31, 2019 the Board approved the grant of 1,202,000 stock options under the Stock Option Plan with a further grant of 4,250,000 conditional on obtaining the approval of shareholders at the next meeting of shareholders of the Company to increase the pool of options available to be granted such that there are sufficient options in the pool to permit the additional grant.

On December 20, 2019 at a Special Meeting of the Shareholders, a resolution was passed to (i) authorize amendments to the company’s Stock Option Plan to increase the maximum number of common shares issuable upon the exercise of stock options thereunder from 10,100,000 to 15,100,000 and to remove the restriction that the maximum number of shares that may be issuable to any one participant under all of the company’s security based compensation arrangements shall not exceed 5% of the issued and outstanding common shares; and (ii) to ratify the grant of 4,250,000 as mentioned above.

The following table reflects the outstanding warrant activities for the period from December 31, 2016 to September 30, 2020:

	Number Outstanding	Exercise Price
Outstanding, Dec 31, 2016	844,868	
Exercised during the quarter ended Mar 31, 2017	(12,200)	$0.79
Issued during the quarter ended Mar 31, 2017	1,000,000	$2.06

Issued during the quarter ended Mar 31, 2017	1,740,000	$2.10
Outstanding, Mar 31, 2017 & Jun 30, 2017	3,572,668	
Issued during the quarter ended Sep 30, 2017	4,000,000	$1.16
Outstanding, Sep 30, 2017	7,572,668	
Issued during the quarter ended Dec 31, 2017	604,347	$1.16
Issued during the quarter ended Dec 31, 2017	3,333,333	$0.58
Expired during the quarter ended Dec 31, 2017	(446,000)	$0.91
Outstanding, Dec 31, 2017	11,064,348	
Expired during the quarter ended Mar 31, 2018	(386,668)	$0.60
Outstanding, Mar 31, 2018	10,677,680	
Issued during the quarter ended Jun 30, 2018	2,224,999	$0.15
Issued during the quarter ended Jun 30, 2018	1,000,000	$0.14
Outstanding, June 30, Sep 30 and Dec 31, 2018	13,902,679	
Expired during the quarter ended Mar 31, 2019	(1,000,000)	$2.05
Outstanding, March 31, June 30, Sep 30 & Dec 31, 2019	12,902,679	
Expired during the quarter ended Mar 31, 2020	(1,740,000)	$1.98
Outstanding, Mar 31, 2020	11,162,679	
Exercised during the quarter ended Jun 30, 2020	(880,000)	$0.13
Expired during the quarter ended Jun 30, 2020	(120,000)	$0.13
Issued during the quarter ended Jun 30, 2020	7,100,000	$0.13
Outstanding, Jun 30, 2020 and Sep 30, 2020	17,262,679	

Details of Compens

	Number Outstanding	**Exercise Price**
Outstanding as on Oct 1, 2016	-	-
Issued during the quarter ended Mar 31, 2017	279,069	$1.70
Outstanding, Mar 31 & Jun 30, 2017	279,069	
Issued during the quarter ended Sep 30, 2017	280,000	$1.16
Outstanding, Sep 30, 2017	559,069	
Issued during the quarter ended Dec 31, 2017	42,304	$1.16
Outstanding, Dec 31, 2017, Mar 31,Jun 30, Sep 30 & Dec 31, 2018	601,373	
Expired during the quarter ended Mar 31, 2019	(279,069)	$1.70
Outstanding, Mar 31, 2019 to Sep 30, 2020	322,304	

As of September 30, 2020, the Company had 129,615,284 common shares outstanding, 10,944,603 options to purchase common shares outstanding, 322,304 compensation options outstanding and 17,262,679 warrants to purchase common shares outstanding.

7. FINANCIAL CONDITION

Current Assets. Cash and cash equivalents includes cash and investments with maturities of less than 90 days. Short-term investments include banker acceptances, commercial paper and term deposits with maturities of up to 90 days. Inventories include raw materials, semi-finished and finished goods.

Cash and cash equivalents were $1,124 as at September 30, 2020, $403 as at June 30, 2020 and $333 as at September 30, 2019.

Property, plant and equipment. Approximately $Nil of property, plant and equipment were acquired during the quarter ended September 30, 2020. The property, plant and equipment as of September 30, 2020 includes a right-of-use asset of $2,665, which relates to the office lease at 6688 Kitimat Road, Mississauga, ON L5N 1P8.

Current Liabilities. Current liabilities were $16,451 as at September 30, 2020 as compared to $16,211 as at September 30, 2019. During the fiscal year ended September 30, 2019, the 9% convertible Debentures were classified as current liabilities due to maturity on March 27, 2020. During the quarter ended June 30, 2020, the Company amended the terms of its $10.6 million (C$15 million) 9% convertible debentures. The Company paid $1.4 million (C$2 million) in cash, issued 11,111,111 common shares and agreed to a further (C$2 million) payment in cash in September 2020 to satisfy all its obligations under the debenture including accrued but unpaid interest and this obligation was met accordingly in September 2020.

Share Capital. Of an authorized unlimited number of common shares, 129,615,284 in the amount of $86,134 are issued and outstanding as at September 30, 2020.

Present Status

The Company manages its financial condition by carefully monitoring the cash requirements and balancing them against the cash received from operations and government grants. While the Company believes it has adequate financing or access to financing for the foreseeable future to meet its ongoing obligations, however, there can be no assurance such will be available, or that the terms of any such financing will be favorable, The Company may seek additional debt or equity financing for continuing operations growth (See Liquidity and Capital Resources).

8. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements for the quarter ended September 30, 2020.

9. RELATED PARTY TRANSACTIONS

There were no balances outstanding as at September 30, 2020 and September 30, 2019. During the year ended September 30, 2020, the Company paid $134 (2019 - $136) to a director of Electrovaya Corp for services rendered in his capacity as an executive officer of Electrovaya Inc. These amounts, which are recorded at their exchange amount, have been expensed in General and Administrative.

There is an outstanding payable balance of $18 relating to raising of capital on behalf of the Company, as at September 30, 2020 (2019-$18). During the year ended September 30, 2020, the Company paid $186 (2019 - $188) to the Chief Executive Officer, who is also a controlling shareholder of the Company. These amounts, which are recorded at their exchange amount, have been expensed in General and Administrative.

On September 27, 2018, the primary shareholder loaned to the Company $90 (Cdn $120K) on an interest free promissory notes repayable on demand. This arrangement also carries a commitment and legal fee of Cdn $10,000. Again, in March, 2019, the primary shareholder loaned to the Company $75 (Cdn $100K) on an interest free promissory notes repayable on demand. As of September 30, 2020, $17 (Cdn $22K) has been repaid to the primary shareholder on demand.

Transactions with private companies controlled by shareholders of the Company

On June 25, 2019, two private companies each loaned to the Company $113 (Cdn $150K) for a total of $226 (Cdn $300k) on promissory notes for 3 month terms at 2% interest per month both fully repayable on September 24, 2019. This arrangement also carries a commitment fee of 5% deducted from the principal amount of $226 (Cdn $300K). The loans are guaranteed by the primary shareholder. The notes were renewed to an on demand basis with no specific maturity.

In January 2020 the Canadian Financial Institution providing the Bridge loan Facility provided $510 (Cdn $680K) by way of a Promissory Note. The loan is guaranteed by the primary shareholder. The proceeds from the Promissory Note were used to cash pay the January interest payment due under the 9% convertible debentures – refer consolidated financial statements Note 15. In April 2020 the Promissory Note was amended and a further amount of$1.61 million (Cdn $2.15 million) was advanced bring the total Promissory Note to $2.12 million (Cdn $2.83 million). The additional proceeds were used to pay fees and obligations under the Company's 9% convertible debentures – refer consolidated financial statements Note 13.

The increase in borrowing under the Amended Promissory Note was secured by Dr. Das Gupta personally guaranteeing the Company's payment obligation to the Facility Lender as well as pledging an additional 17,000,000 Common Shares in favour of the Facility Lender, and the Company paid a fee of $113 (Cdn $150,000) to the Facility Lender for the increase to the amount available under the Amended and Restated Promissory Note.

In September 2020 the Promissory Note was further amended and increased to $4.5 million (Cdn $6 million) of which $1.5 million (Cdn $2 million) of the proceeds were used to settle the obligation under the 9% convertible debentures – refer consolidated financial statements note 13. The interest remains the same. The promissory note will mature on the earlier of (a) June 30, 2021 or (b) with a renewal for a further period of 6 months to Dec 31, 2021 by mutual consent.

In April 2020 the terms of the Debentures were amended. Pursuant to the Amendments, the Company and the Debenture Lender agreed that the Company could satisfy the entire $10.6 million (Cdn $15 million) principal amount and any accrued but unpaid interest owing under the debentures by issuing the Debenture Lender 11,111,111 Common Shares at a deemed price of CDN$0.18 per Common Share, paying the Debenture Lender $1.4 million (Cdn $2 million) in cash and paying the Debenture Lender an additional $1.4 million (Cdn $2 million) in cash on or before September 29, 2020, an equivalent of about $4.4 million (Cdn $6 million) dollars. On September 29, 2020 the Company paid the final instalment of $1.5 million (Cdn $2 million) and the debt was settled in full.

Dr. Sankar Das Gupta, the Chief Executive Officer and a director of the Company, personally guaranteed the Company's $1.5 million (Cdn $2 million) deferred payment obligation under the Amendments.

As consideration for the significant personal risk involved in granting the Company's lenders personal guarantees and share pledges in order to effect the Amendments and increase the amount available under the Amended and Restated Promissory Note, the Company's independent directors approved the issuance to Dr. Das Gupta of 4,000,000 Common Shares at a price of $0.13 (Cdn $0.18), and 7,100,000 warrants to purchase Common Shares, each exercisable at a price of $0.13 (Cdn $0.18) until April 2, 2030 as consideration for the guarantees and pledges described above, as well as for other prior personal guarantees and share pledges to secure debt incurred by the Company

10. CRITICAL ACCOUNTING ESTIMATES

The Company's management make judgments in the process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of financial information requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The critical judgments, estimates and assumptions applied in the preparation of Company's financial information are reflected in Note 3 of the Company's September 30, 2020 consolidated financial statements.

11. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Our accounting policies and information on the adoption and impact of new and revised accounting standards the Company was required to adopt effective January 1, 2015 are disclosed in Note 3 of our consolidated financial statements and their related notes for the year ended September 30, 2020.

12. FINANCIAL AND OTHER INSTRUMENTS

We do not have any material obligations under forward foreign exchange contracts, guarantee contracts, retained or contingent interests in transferred assets, outstanding derivative instruments or non-consolidated variable interests.

13. DISCLOSURE CONTROLS

We have established disclosure controls and procedures that are designed to ensure that the information required to be disclosed by the Company in the reports that it files or submits under securities legislation is recorded, processed, summarized, and reported within the time periods specified in such rules and forms and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer (who are our Chief Executive Officer and Chief Financial Officer, respectively) as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation and as described below under “Internal Control over Financial Reporting”, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Governance Review

Hansell LLP (the “Consultant”) was retained by Dr. Sankar Das Gupta as the independent consultant to conduct a governance review of Electrovaya Inc. ("Electrovaya" or the "Corporation") in accordance with a settlement agreement approved by the Ontario Securities Commission on June 30, 2017 (the "Governance Review").

The Consultant’s mandate was to conduct a review of, and to deliver reports addressing:

a. Electrovaya's corporate governance framework, including the position and role of the Chair of the Board and the composition of its Disclosure Committee;

b. Electrovaya's disclosure policies; and,

c. the policies, processes, reports and systems related to Electrovaya's disclosure controls and procedures.

The recommendations are based on the Consultant’s review of the Governance Documents, discussions with members of the Board and senior management, as well as our own experience with a wide range of boards of directors.

Summary of Recommendations Contained in the Consultant’s Governance Review Report Dated - September 18, 2017

6.1 Board Composition and Succession Planning

(a) Nominating Committee

The Board should reconstitute its current Committee structure and establish a new committee named the "Nominating and Governance Committee" with the delegated responsibility to identify and recommend to the Board suitable director candidates for election to the Board based on the skill and experience of the candidates in relation to the needs of the Board.

(b) Skills and Competencies Matrix

The Nominating and Governance Committee should prepare a director skills and competencies matrix to assist in the Board's succession planning efforts and the identification of Director candidates that fill a specific skill and expertise or complement the existing skills and competencies present on the Board.

(c) Board Succession Planning

To help facilitate the Board's succession planning process, the Nominating and Governance Committee should prepare and maintain an "evergreen" list of potential director candidates to fill unexpected vacancies on the Board or to add new directors as the needs of the Corporation evolve over time.

6.2 Board Leadership Structure

The Board should adopt a written position description for the role of Chair, which clearly describes the duties and responsibilities of the Chair to provide leadership to the Board.

6.3 Meetings of Independent Directors

The Board and each Committee should hold an in camera session at the end of each regularly scheduled meeting from which non-independent directors and members of management are absent.

6.4 Board Mandate

The Board should undertake a comprehensive review and revision of the Board Mandate.

6.5 Strategy and Risk Oversight

The Chair should review the work plan and agendas in advance of the Board meetings to determine whether Board consideration of strategy and risk are appropriately reflected on the agendas and appropriate time is allocated to discuss strategy and the Corporation's performance against the strategic plan.

6.6 Position Descriptions and Director Expectations

Written position descriptions should be prepared and approved by the Board in respect of the Chair of the Board, Chair of each Board Committee, the CEO and the CFO and for any other executive officer position determined to be necessary by the Board.

6.7 Orientation and Continuing Education

The Nominating and Governance Committee should work with management to develop an orientation program for new directors (which may include an orientation manual, one on-one meetings with management and site visits) as well as identify continuing education opportunities during regularly scheduled Board meetings or through identifying relevant courses and seminars and working with Directors to facilitate their attendance at these sessions.

6.8 Ethical Business Conduct

(a) Code of Business Conduct and Ethics

The Corporation should review its current corporate policies intended to deter wrongdoing and promote integrity and integrate these policies into a Code of Conduct and Ethics which describes the standards for ethical behaviour expected of Directors, executive officers and employees of the Corporation.

(b) Insider Trading Policy

The Corporation should review and revise its current blackout policies into an Insider Trading Policy for its Directors, executive officers and employees to promote proper trading practices in accordance with securities legislation.

6.9 Information and Board Administration

(a) Meeting Calendar

An annual calendar of Board and Committee meetings should be created and maintained. The annual meeting calendar should include key dates for the Corporation's disclosure obligations, including financial results and financial information release dates and the start and end dates for blackout periods.

(b) Board and Committee Work Plans

The Board and the Committees should create an annual work plan to align the responsibilities as contemplated under their respective mandate with agendas prepared in connection with Board and Board Committee meetings. The work plans should ensure that the fiduciary and oversight responsibilities of the Board and the Committees are reflected and appropriately discharged.

(c) Meeting Minutes

The practice of taking minutes should be reviewed to ensure that minutes of Board and Committee meetings are accurate and correctly reflect the business discussed and resolutions passed in sufficient detail.

(d) Updates Between Meetings

The Directors should discuss with the CEO and CFO the type of information they would find most useful between Board meetings, which may include operational updates and industry developments.

6.10 Compensation

(a) Compensation Committee

The Board should establish a Compensation Committee composed entirely of independent directors. The Compensation Committee should adopt a charter or terms of reference that establishes the committee's purpose and responsibilities.

(b) Executive Officer Performance Review Process

The Compensation Committee should develop an annual performance review process for the CEO and CFO, including establishing performance targets and objectives at the start of each financial year.

(c) Review of Employment Agreements

The Compensation Committee should review the current compensation arrangements and plans in place for executive officers and make a recommendation to the Board regarding the employment agreements of the CEO and the CFO.

6.11 Regular Board Assessments

At least annually, the Board should, in a manner the Board determines to be appropriate, conduct a review and evaluation of the performance of the Board, Committees and individual Directors.

6.12 Committees

(a) Audit Committee

The Audit Committee should review the AC Charter to ensure that it complies with each of the requirements set out in NI 52-110.

(b) CGCC

As further explained in section 6.1(a) of this Report, the CGCC should be dissolved and the Board should establish a new committee entitled the "Nomination and Governance Committee" with the delegated responsibility to develop the Corporation's approach to corporate governance, including developing the corporate governance principles and guidelines that are specifically applicable to the Corporation.

(c) Safety and Environment Committee

The Safety and Environment Committee should be disbanded and the responsibilities related to receiving reports from management and overseeing the Corporation's activities to mitigate risks associated with product and manufacturing hazards should reside with the full Board.

6.13 Review of Policies and Procedures

The CFO should adopt a schedule identifying each of the Governance Documents and other policies and procedures adopted by the Corporation and approved by the Board to track the individual "owner" responsible for updating the policy and procedure and when it must be reviewed and submitted to the Board for approval.

6.14 Disclosure Committee

(a) Structure and Composition

To assist the Disclosure Committee in its oversight of the preparation of the Corporation's continuous disclosure obligations, the Disclosure Committee should establish a sub-committee comprised of the individuals and the reporting structure discussed in section 4.1 of this Report.

(b) Disclosure Committee Mandate

The Disclosure Committee should review the Disclosure Committee Mandate.

(c) Continuing Education

The Corporation should arrange for members of the Disclosure Committee, to attend the Commission Small and Medium Enterprises Institute seminar on Continuous Disclosure Obligations over the course of the upcoming year.

6.15 Disclosure Controls and Procedures

(a) Disclosure Controls and Procedures Policy

The Corporation should document its disclosure controls and procedures by adopting a Disclosure Controls and Procedures Policy.

(b) Evaluation of Disclosure Controls and Procedures

At least once every year, the Disclosure Committee should oversee the review and evaluate the effectiveness of the design and operation of the Corporation's disclosure controls and procedures.

Implementation

The Corporation was in agreement with all recommendations and proceeded to implement the Consultant's recommendations.

Conclusion

The Consultant provided a letter to the OSC dated March 3, 2020 stating…

"We are pleased to advise that, as reflected in its disclosure and policy documents, Electrovaya Inc. has implemented all of the recommendations made in our Governance Review Report dated September 18, 2017. Accordingly, we have discharged our obligations in connection with the Order and understand our role in this matter to be concluded."

14. INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and the CFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Our management, including our CEO and CFO, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud might occur and not be detected.

Management assessed the effectiveness of the Company’s internal control over financial reporting at September 30, 2020, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission as published in 2013. Based on this evaluation, management believes, at September 30, 2020, the Company’s internal control over financial reporting is effective. Also, management determined there were no material weaknesses in the Company’s internal control over financial reporting at September 30, 2020.

The effectiveness of the Company’s internal control over financial reporting as of September 30, 2020, has been audited by Goodman & Associates LLP, an independent registered public accounting firm, as stated in their report, which is included in the Company’s audited consolidated financial statements.

15. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT RISKS AND UNCERTAINTIES

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company’s risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and develop its products. The capital structure of the Company consists of shareholders’ equity and depends on the underlying profitability of the Company’s operations.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development, manufacture and marketing of its products. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business.

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern.
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity plus its short-term debt comprised of the Promissory note, less cash and cash equivalents as presented on the face of the statement of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, comprised of equity and long-term debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company issues new shares or increases its long-term debt.

Capital for the reporting periods under review is summarized as follows:

		September 30,		
		2020		2019
Total (Deficiency)	$	(8,715)	$	(14,265)
Cash and cash equivalents		(1,124)		(333)
(Deficiency)		(9,839)		(14,598)
Total (Deficiency)		(8,715)		(14,265)
Promissory Notes		5,252		753
Working capital facilities		4,708		1,060
Non-current liabilities		2,906		142
9% convertible debentures		-		11,009
Overall Financing	$	4,151	$	(1,301)
Capital to Overall financing Ratio		2.37		(11.22)

Credit risk

Credit risk is the risk that the counter-party fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example, by granting loans and receivables to customers, placing deposits, etc. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

		September 30, 2020		2019
Cash and cash equivalents	$	1,124	$	333
Restricted cash		-		-

Trade and other receivables		2,491		346
Carrying amount	$	3,615	$	679

Cash equivalents are comprised of the following:

		September 30,		
		2020		2019
Cash	$	1,124	$	333
Cash equivalents		-		-
	$	1,124	$	333

The Company's current portfolio consists of certain banker's acceptance and high interest yielding saving accounts deposits. The majority of cash and cash equivalents are held with financial institutions, each of which had at September 30, 2020 a rating of R-1 mid or above.

The Company manages its credit risk by establishing procedures to establish credit limits and approval policies. The balance in trade and other receivables is primarily attributable to trade accounts receivables. In the opinion of management, the credit risk is moderate as some receivables are falling into arrears. Management is taking appropriate action to mitigate this risk by adjusting credit terms.

Liquidity risk

The Company is exposed to liquidity risk from trade and other payables in the amount of $3,913 (2019- $1,911), Promissory Note and loan financing of $5,252 (2019-$753), working capital facilities $4,708 (2019-$1,060) and other payables of $551 (2019-$875). Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages its liquidity risk by carefully monitoring the cash requirements and balancing them against the cash received from operations and government grants.

Market risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair value of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its products and the future profitability of the Company is related to the market price of its primary competitors for similar products.

Interest rate risk

The Company has floating and fixed interest-bearing debt ranging from prime plus 7% to 24%. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

Foreign currency risk

The Company is exposed to foreign currency risk. The Company's functional currency is the Canadian dollar and a majority of its revenue is derived in US dollars. Purchases are transacted in Canadian dollars, United States dollars and Euro. Management believes the foreign exchange risk derived from any currency conversions may have a material effect on the results of its operations. The financial instruments impacted by a change in exchange rates include our exposures to the above financial assets or liabilities denominated in non-functional currencies. The cash and cash equivalent in US dollars were $55 (September 30, 2020) and $105 (September 30, 2019).

If the US dollar to Canadian foreign exchange rate changed by 2% this would change the recorded net gain by $68.

Price risk

The Company is exposed to price risk. Price risk is the risk that the commodity prices that the Company charges are significantly influenced by its competitors and the commodity prices that the Company must charge to meet its competitors may not be sufficient to meet its expenses. The Company reduces the price risk by ensuring that it obtains information regarding the prices set by its competitors to ensure that its prices are appropriate to the unique attributes of our product. In the opinion of management, the price risk is low and is not material.

Disclosure control risks

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, have designed disclosure controls and procedures ("DC&P"), or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known, particularly during the period in which interim or annual filings are being prepared, and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Although certain weaknesses have been identified, these items do not constitute a material weakness or a weakness in DC&P that are significant. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. DC&P are reviewed on an ongoing basis.

Internal control risks

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, have designed such internal control over financial reporting ("ICFR"), or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Such design also uses the framework and criteria established in Internal Control over Financial Reporting - Guidance for Smaller Public Companies, issued by The Committee of Sponsoring Organizations of the Treadway Commission. The Company relies on entity-wide controls and programs including written codes of conduct and controls over initiating, recording, processing and reporting significant account balances and classes of transactions. Other controls include centralized processing controls, including a shared services environment and monitoring of operating results.

Based on the evaluation of the design and operating effectiveness of the Company's ICFR, the CEO and CFO concluded that the company's ICFR was effective as at September 30, 2020.

The Company does not believe that it has any material weakness or a weakness in ICFR that are significant. Control deficiencies have been identified within the Company's accounting and finance departments and its financial information systems over segregation of duties and user access respectively. Specifically, certain duties within the accounting and finance departments were not properly segregated due to the small number of individuals employed in these areas. To our knowledge, none of the control deficiencies has resulted in a misstatement to the financial statements. However, these deficiencies may be considered a material weakness resulting in a more-than remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected.

As the Company incurs future growth, we plan to expand the number of individuals involved in the accounting function. At the present time, the CEO and CFO oversee all material transactions and related accounting records. In addition, the Audit Committee reviews on a quarterly basis the financial statements and key risks of the Company and queries management about significant transactions, there is a quarterly review of the company's condensed interim unaudited financial statements by the Company's auditors and daily oversight by the senior management of the Company.

16. COVID-19 based risks

The COVID-19 global pandemic has created some unprecedented risks in Electrovaya's business, some of which are detailed here. The global supply chain has been disrupted with lock-downs in many countries some of whose industries are part of Electrovaya's supply chain. Many of the component costs may increase due to supply constraints and increases in shipping costs. The world is in a period of great uncertainty and the demand for Electrovaya's products from its clients may be in jeopardy. Electrovaya's battery products are in mission critical demand for warehousing, E-Commerce, food supply and other critical industries. So far, we have seen no reduction in demand.

COVID-19 may cause a global recession which may make it difficult to reach the targeted sales numbers, ability to reach the objective of EBIDTA positive, ability to keep a healthy work place especially if early removal of lockdown brings a second wave of COVID-19 and many other related risk factors.

Other Risk Factors.

The risks described above are not the only risks and uncertainties that we face. Additional risks the Company faces are described under the heading "Risk Factors" in the Company's AIF for the year ended September 30, 2020.

Other additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. These risk factors could materially affect our future operating results and could cause actual events to differ materially from those described in our forward-looking statements.

Additional information relating to the Company, including our AIF for the year ended September 30, 2020, is available on SEDAR.