electrovaya

www.electrovaya.com

ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2020

JULY 17, 2020

ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. OUR BUSINESS 6
2. OUR STRATEGY 7
3. OVERALL PERFORMANCE AND SELECTED FINANCIAL INFORMATION 8
4. LIQUIDITY AND CAPITAL RESOURCES 14
5. OUTSTANDING SHARE DATA 18
6. FINANCIAL CONDITION 21
7. OFF-BALANCE SHEET ARRANGEMENTS 22
8. RELATED PARTY TRANSACTIONS 22
9. CRITICAL ACCOUNTING ESTIMATES 22
10. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS 24
11. FINANCIAL AND OTHER INSTRUMENTS 24
12. DISCLOSURE CONTROLS 24
13. INTERNAL CONTROL OVER FINANCIAL REPORTING 29
14. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT RISKS AND UNCERTAINTIES 30
15. COVID-19 BASED RISKS 34

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 July 17, 2020 and it is, therefore, dated as at that date. This MD&A includes the operating and financial results for the quarters ending June 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 the fiscal year ending September 2020 and the calendar year ending December 31, 2020), 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 coronavirus outbreaks in China and thererafter spreading all over the globe, 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, the Company's intentions with respect to outstanding debt instruments, including convertible debentures, , 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, and 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, 2019 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 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 MD&A 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.

Non-IFRS Measures

EBITDA does not have a standardized meaning under IFRS and it is therefore 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 cost.

EBITDA is defined as loss from operations of ~$36,000, plus finance costs of ~$525,000, plus stock-based compensation costs of ~$14,000, resulting in a positive EBITDA of approximately $503,000 (C$700,000) for the present Q3 quarter.

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.

- *Battery Management System ("BMS"):* Our 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 is pivoting 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. OVERALL PERFORMANCE AND SELECTED FINANCIAL INFORMATION

Years ended September 30, 2019, 2018 and 2017

i) Financial Condition

	2019	2018	2017
Cash and Cash Equivalents			
From continued operations	$333	$126	$3,402
From discontinued operations	-	-	39
Cash and Cash Equivalents	333	126	3,441
Total Assets			
From continued operations	2,088	15,830	22,067
From discontinued operations	-	-	13,476
Total Assets	2,088	15,830	35,543
Total Long Term Liabilities			
From continued operations	142	10,662	10,082
From discontinued operations	-	-	748
Total Long Term Liabilities	142	10,662	10,830
Shareholders' Equity (Deficiency) from continued operations	$(14,265)	$(13,758)	$(1,221)

Our Cash and Cash Equivalents balance increased from 2018 to 2019 by $207. Cash and Cash Equivalents were approximately $333 as at September 30, 2019, and $126 as at September 30, 2018.

ii) Results of Operations and Cash Flow

	2019	2018	2017
Revenue			
From continued operations	$4,891	$5,633	$2,275
From discontinued operations	-	865	6,492
Revenue	4,891	$6,498	$8,767
Revenue, Less Direct Manufacturing Costs			
From continued operations	1,942	1,764	905
From discontinued operations	-	(2,781)	(5,972)
Revenue, Less Direct Manufacturing Costs	1,942	(1,017)	(5,067)
Loss Before other items			
From continued operations	6,947	9,884	4,394
From discontinued operations	-	6,589	16,613
Loss Before other items	6,947	16,473	21,007
Net Loss for the year			

From continued operations	2,837	10,172	4,654
From discontinued operations	-	12,485	16,520
Net Loss for the year	2,837	22,657	21,174
Basic and Diluted Loss(gain) per Share			
From continued operations	0.03	0.10	0.05
From discontinued operations	-	0.13	0.19
Basic and Diluted Loss per Share	0.03	0.23	0.24
Cash flow (used in) Operating Activities			
From continued operations	(2,875)	(5,173)	(1,201)
From discontinued operations	-	(1,827)	(17,984)
Cash flow (used in) Operating Activities	(2,875)	$(7,000)	$(19,185)

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 74% in 2019. Revenue derived from US and European customers as a percentage of the Company's revenue was approximately 32% in 2018. Revenue decreased for the year ended September 30, 2018 compared to 2017 due to a decrease in revenues from our discontinued German operations.

For the years ended September 30, 2019, 2018 and 2017, revenues from major business activities were as follows:

	2019	2018	2017
Large Format Batteries			
From continued operations	$4,850	$5,330	$2,129
From discontinued operations	-	-	5,333
Large Format Batteries	4,850	5,330	7,462
Other			
From continued operations	41	303	146
From discontinued operations	-	865	1,159
Other	41	1,168	1,305
Total Revenue			
From continued operations	4,891	5,633	2,275
From discontinued operations	-	865	6,492
Total Revenue	$4,891	$6,498	$8,767

The decrease in large format batteries revenue of $480 from 2018 to 2019 is primarily due to lower revenues from a Canadian customer.

Other revenue decreased by $262 in 2019 as compared to 2018.

For the years ended September 30, 2019, 2018 and 2017, revenues attributed to regions based on location of customer were as follows:

	2019	2018	2017
Canada			
From continued operations	$888	$3,820	$1,237
From discontinued operations	-	-	-
Canada	888	3,820	1,237
United States			
From continued operations	3,600	1,785	991
From discontinued operations	-	-	(47)
United States	3,600	1,785	944
Germany			
From continued operations	-	28	-
From discontinued operations	-	865	3,625
Germany	-	893	3,625
Others			
From continued operations	403	-	47
From discontinued operations	-	-	2,914
Others	403	-	2,961
Total revenue			
From continued operations	4,891	5,633	2,275
From discontinued operations	-	865	6,492
Total revenue	$4,891	$6,498	$8,767

Operating losses for continued operations, represented by Loss Before Foreign Exchange and Interest, Taxes and Amortization, decreased by $2,937 from 2018 to 2019 primarily because of a decrease in research and development costs of $962, a decrease in general and administration costs of $1,114, a decrease of financing costs of $1,331 offset by an increase in stock based compensation costs of $830.

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

iii) Quarterly Financial Results from Continued Operations

Q3 FY2020 Financial Highlights:

- Revenue was $4.8 million (C$6.5 million), a four-fold increase compared to $1.2million C$1.6 million) for the fiscal third quarter ended June 30, 2019 (“Q3 FY2019”). Revenue for Q3 FY2020 also more than doubled compared to revenue of $1.9 million (C$2.6 million) for the fiscal second quarter ended March 31, 2020. The strong sequential revenue growth resulted from robust customer demand and the scaling up of production.
- Gross profit was $1.7 million (C$2.3million), compared to $0.4 million (C$0.5 million) in Q3 FY2019.
- The Company generated a positive EBITDA (see “Non-IFRS Measures”) of $0.5 million (C$0.7 million).

- Net profit was $4.8 million (C$6.5 million), compared to a net loss of $1.2 million (C$1.6 million) in Q3 FY2019. The net profit in Q3 FY2020 was primarily attributable to a gain of $5.2 million (C$7 million) on the amendment of convertible debentures and strong growth in revenue and gross profit.

Business Highlights:

- Strengthened operating performance during Q3 FY2020 as the Company scaled up production at its facilities in Mississauga, Ontario.
- Electrovaya's current order backlog exceeds $7 million (C$9 million).
- Sales are generated by the Company's OEM channel as well as through direct sales. Electrovaya's batteries are currently powering e-forklift systems in over 30 locations.
- On April 8, 2020, Electrovaya announced that it amended the terms of its C$15 million convertible debentures with a 9% coupon. The Company paid its lender C$2 million in cash, issued C$2 million of common shares of Electrovaya, and agreed to a further C$2 million cash payment on or before September 29, 2020 to satisfy all obligations under the debenture.
- On April 22, 2020, the Company announced that it closed an agreement with a financial institution for an additional secured C$4.5 million working capital credit facility. On July 2, 2020, the Company announced an agreement with the financial institution to increase its revolving credit facility from C$1.5 million to C$4.5 million. This brought the total credit facility limit to C$14.5 million. The facility supports the fulfillment of purchase orders and general corporate needs. As of the current date, the Company has repaid $3.3 million (C$4.4 million).

Positive Financial Outlook:

Electrovaya is experiencing strengthened customer demand for its products and has a significant order backlog. Accordingly, the Company currently anticipates further strong revenue generation in the coming months. Revenue for the fiscal year ending September 30, 2020 ("FY 2020") is expected to exceed $12 million (C$16 million), while revenue for the calendar year ending December 31, 2020 is expected to exceed $16 million (C$21 million), barring unforeseen circumstances. See "Forward-Looking Statements".

Impact of COVID-19 Pandemic:

Electrovaya is an essential business and has so far operated without major interruption during the COVID-19 pandemic. The Company's customers include large global firms in industries such as grocery, logistics and e-commerce that are continuing to provide critical services during this difficult period. The crisis has highlighted Electrovaya's important role in helping its customers execute mission-critical applications under highly challenging conditions. Electrovaya's major customers are generating increased revenue as the pandemic is driving demand for their products and services. Accordingly, not only have their orders with Electrovaya been unaffected by COVID-19, they are increasing. However, COVID-19 did disturb the Company's supply chain from many of its global vendors with resultant delays in delivery of the Company's products to its customers.

Electrovaya considers the health and safety of its employees and other stakeholders to be of the highest priority. To mitigate the spread of COVID-19, the Company has implemented a number of common-sense initiatives at its headquarters, including increased sanitization of frequently touched surfaces, use of masks, and social distancing guidelines, all of which somewhat reduces efficiency in operations.

Quarterly revenue from continued operations are as follows:

	Q1	**Q2**	**Q3**	**Q4**
2020	$861	$1,947	$4,799	-
2019	$1,972	$1,253	$1,162	$504
2018	$748	$3,269	$397	$1,219

For the quarters ended June 30, 2020 and 2019, revenue was $4,799 and $1,162 respectively. The $3,637 or 313% increase in revenue resulted from higher order volume for large format batteries during the quarter ended June 30, 2020. The increase in Q3 FY2020 was also due to scaling up its manufacturing and other operations in the Company's new location.

For the quarter ended June 30, 2020 two customers represented more than 10% of total revenue (quarter ended June 30, 2019 - three customers). Our largest customer accounted for 66.3% and 40.1% of total revenue for the quarters ended June 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.

Expenses

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 June 30, 2020, direct manufacturing costs increased by $2,347 to $3,097 from $750 for the quarter ended June 30, 2019 primarily due to higher costs associated with increased revenue during the current quarter as compared to the same quarter prior year.

Revenue less Direct Manufacturing Costs was a profit of $1,702 or 35.5% of revenue for the three months ended June 30, 2020 compared to a profit of $412 or 35.5% of revenue for the three months ended June 30, 2019.

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), increased by $469 during the quarter ended June 30, 2020 to $860 from $391 in the same quarter in the prior year as the Company continues to invest in further developing Lithium Ion applications.

Government Assistance Government assistance increased to $224 during the quarter ended June 30, 2020 from $0 in the same quarter in the prior year as the company applied for and received funding under the National Research Council of Canada (NRC) – Industrial Research Assistance Program (IRAP).

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 June 30, 2020 and 2019, sales and marketing expenses were $127 and $239 respectively. The $112 or 46.9% decrease was primarily due to a decrease in salaries and benefits and in trade shows during the quarter ended June 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 June 30, 2020 and 2019, general and administrative expenses were $402 and $330 respectively. The $72 or 21.8% increase was primarily increase in salaries and benefits and consulting costs during the quarter ended June 30, 2020. This was also due to additional costs incurred resulting from the COVID-19 impact to operations.

Stock based compensation. Non-cash stock-based compensation expense decreased by $42 to $14 for the quarter ended June 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.

Financing costs. For the quarters ended June 30, 2020 and 2019, financing costs were $525 and $473 respectively. This is due to increased loan balances.

Patent and trademark costs. Patent and trademark expense increased from $6 in the same quarter in the prior year to $36 for the quarter ended June 30, 2020.

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	-
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 third quarter of fiscal 2020 to the third quarter of fiscal 2019 was largely due to a gain on redemption of debentures, an increase in revenue, a decrease in sales and marketing expenses and a decrease in stock based compensation expense offset by an increase in cost of goods sold, an increase in research and development costs, an increase in general and administration cost, an increase in amortization costs, an increase in financing costs, an increase in patent and trademark expenses, a decrease in foreign exchange gain and interest income and a decrease in gain on sale of property, plant and equipment.

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

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

4. LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2020, the Company had $403 in cash and cash equivalents compared to $333 and $162 as at September 30, 2019 and June 30, 2019 respectively.

Cash used in operating activities for continued operations was $1,273 for the nine months ended June 30, 2020 compared to $1,702 used during the quarter ended June 30, 2019. Net cash used in operating activities during the nine months ended June 30, 2020 primarily reflects a decrease in non-cash operating working capital of $4,040 offset by net gain of $1,808, an increase in non-cash financing costs of $697, stock-based compensation expense of $72 and amortization of $190.

a) Bridge Loan Facility

   In August 2019, a Canadian Financial Institution provided a $1.06 million (Cdn $1.5 million) of which $0.99 million (Cdn $1.4 million) was advanced on closing. The bridge loan facility is secured non-revolving bridge facility for the fulfilment of purchase orders and general working capital purposes. In November 2019 a further draw of $0.07 million (Cdn $0.1 million) was made under the bridge facility to fully draw the funds of $1.06 million (Cdn $1.5 million).

In June 2020, the non-revolving bridge facility was amended to become a revolving credit facility with a maximum principal amount of $3.3 million (Cdn $4.5 million). As a condition of the amendment the Company issued 750,000 common shares to the Lender.

The interest on the Bridge Facility is the greater of a) 8.05% per annum above the Prime Rate or b) 12% per annum. Interest is payable monthly. The bridge facility matures on September 25, 2020. As at June 30, 2020 the balance owing under the facility is $2.6 million (Cdn $3.6 million).

b) 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 is secured. In April 2020 a Second Amendment was entered into with the Canadian Financial Institution providing the Working Capital Facilities. The Purchase Order Facility was amended to be non-revolving with a maximum limit of $7.08 million (Cdn $10 million). By June 30, 2020 $2.9 million (Cdn $4.0 million) had been repaid on the facility bring the balance at June 30, 2020 to $4.4 million (Cdn $6.0 million).

The interest on the Purchase Order Facility is the greater of a) 10.05% per annum above the Prime Rate or b) 14% per annum. Interest is payable monthly. In addition the Company issued 1.5 million common shares to the Lender. The Purchase Order Facility matures on September 25, 2020. The Purchase Order Facility is being repaid from the Accounts Receivable collections associated with the specific purchase orders the facility financed.

c) Promissory Note

In January 2020, an advance of $480 (Cdn $680k) was made 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 $1.52 million (Cdn $2.15 million) was advanced bring the total Promissory Note to $2 million (Cdn $2.83 million). The Promissory Note matures on the earlier of a) September 25, 2020 or b) on demand. The Promissory Note bears interest at the greater of a) 11% per annum or b) 7% per annum above the Prime Rate.

The increase in borrowing under the Amended and Restated 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 $106 (Cdn $150,000) to the Facility Lender for the increase to the amount available under the Amended and Restated Promissory Note.

Working Capital Facilities	June 30, 2020	September 30, 2019
Bridge facility revolver	$ 2,634	$ 1,060
Purchase order facility	4,400	-
	$ 7,034	$ 1,060

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 $15,000,000). The issue costs were $751 (Cdn $1,000,543) resulting in net proceeds of $10,509 (Cdn $13,999,457). The Company also issued 279,069 compensation options (the “Compensation Options”), with each Compensation Option exercisable to purchase one Common Share at a price of Cdn $2.26 until 5:00 p.m. on March 26, 2019.

The Debentures bear 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 had a maturity date of March 27, 2020 (the "Maturity Date"). The Debentures were convertible at the holder's option at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Company for redemption of the Debentures into Electrovaya’s shares at a conversion price of $1.61 (Cdn $2.15) per common share, being a conversion rate of 465.116 Common Shares for each $1,000 principal amount of this Debentures.

The lead subscriber was also issued 1,740,000 warrants (the “Warrants”). Each Warrant is exercisable to purchase one Common Share in the capital of the Company at a price of Cdn $2.80 per Common Share until 5:00 p.m. on March 26, 2020.

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.

The Debentures were direct, unsecured obligations of the Company, subordinated to other indebtedness of the Company for borrowed money and ranking equally with all other unsecured subordinated indebtedness.

The interest expense for the 6 months ended December 31, 2019 of $519 (2018 - $510) was paid in cash in January 2020.

The interest expense of $510 due on December 31, 2018 was settled by issuing 3,634,188 common shares of the Company in January, 2019.

In April 2020 the terms of its outstanding $10.6 million (Cdn $15 million) principal amount unsecured 9% convertible debentures due March 27, 2020 were 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 $0.13 (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 13, 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 $4.2 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 $1.4 million (Cdn $2 million) deferred payment obligation under the Amendments.

The Company satisfied the initial $1.4 million (Cdn $2 million) cash payment pursuant to the Amendments effective as of April 7, 2020, by amending and restating an existing promissory note from a third-party lender, a Canadian financial institution (the "Facility Lender"), to increase the principal amount available thereunder (such note, the "Amended Promissory Note"). – refer condensed interim consolidated financial statements Note 5 b)

Other Promissory Notes

On June 25, 2019, two private companies each loaned to the Company $110 (Cdn $150K) for a total of $220 (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 $220 (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 acknowledges that uncertainty remains over the Company's ability to meet its funding requirements. However management expects that the Company has, or has access to, adequate resources, to continue in operational existence for the foreseeable future. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

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

Year of Payment Obligation	**Debt Repayment**
2020	$10,948
2021	367
2022	-
2023	-
2024	-
2025 & beyond	-
Total	$11,315

5. 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, October 01, 2017	92,116,935	$79,700
Issuance of shares	4,781,060	1,248
Balance, December 31, 2017 & March 31, 2018	96,897,995	$80,948
Issuance of shares	4,450,001	387
Balance, June 30, 2018	101,347,996	$81,335
Issuance of shares	2,257,275	523
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 and 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

The following table reflects the quarterly stock option activities for the period from October 01, 2017 to June 30, 2020:

	Number outstanding	Weighted average exercise price
Outstanding, October 01, 2017	4,241,003	$0.92
Cancelled or expired	(100,000)	$0.54
Outstanding, December 31, 2017	4,141,003	$0.97

Granted	775,000	$0.22
Outstanding, March 31, 2018	4,916,003	$0.92
Cancelled or expired	(40,000)	$1.62
Outstanding, June 30, 2018 & September 30, 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, 2019 and June, 2019	4,834,603	$0.87
Granted	5,452,000	$0.23
Cancelled or expired	(260,000)	$0.72
Outstanding, September 30, 2019 and December, 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

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 June 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, Mar 31, Jun 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	
Expired during the quarter ended Jun 30, 2020	(120,000)	$0.13
Exercised during the quarter ended Jun 30, 2020	(880,000)	$0.13
Issued during the quarter ended Jun 30, 2020	7,100,000	$0.13
Outstanding, Jun 30, 2020	17,262,679	

Details of Compensation Options to Brokers

	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 June 30, 2020.	322,304	

As of June 30, 2020, the Company had 128,153,011 common shares outstanding, 9,551,603 options to purchase common shares outstanding, 322,304 compensation options outstanding and 17,262,679 warrants to purchase common shares outstanding.

6. 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 $403 as at June 30, 2020, $333 as at September 30, 2019 and $162 as at June 30, 2019.

Property, plant and equipment. Approximately $Nil of property, plant and equipment were acquired during the quarter ended June 30, 2020. The property, plant and equipment as of June 30, 2020 includes a right-of-use asset of $3,598, which relates to the office lease at 6688 Kitimat Road, Mississauga, ON L5N 1P8.

Current Liabilities. Current liabilities were $15,858 as at June 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 re-classified as current liabilities due to maturity on March 27, 2020. This increased current liabilities by $10,621. 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.

Share Capital. Of an authorized unlimited number of common shares, 128,153,011 in the amount of $85,331 are issued and outstanding as at June 30, 2020.

Present Status

During the quarter ended June 30, 2020, the loss before amortization, gain on redemption of debentures, foreign exchange, interest income and provision for tax of continued operations decreased by $1,047 or 96.7% compared to the quarter ended June 30, 2019.

The Company manages its financial condition by carefully monitoring the cash requirements and balancing them against the cash received from operations and government grants. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company intends to fulfill its obligations and maintain a positive financial condition.

Financing

The Company may raise debt in the future to finance operations growth (See Liquidity and Capital Resources).

7. OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off balance sheet arrangements for the quarter ended June 30, 2020.

8. RELATED PARTY TRANSACTIONS

Transactions with Chief Executive Officer and controlling shareholder of Electrovaya Inc.

There is an outstanding payable balance of $18 relating to raising of capital on behalf of the Company, as at June 30, 2020 (2019-$18).

On December 4, 2017, the primary shareholder guaranteed a loan to the Company $367 (Cdn $500K) for 6 month terms at 2% interest per month fully repayable on June 01, 2018. This arrangement also carries a commitment fee of 4% deducted from the principal amount of Cdn $500K. The note also carries a penalty clause for payment of Cdn $20K in the event of a default in paying the principal amount on the due date (June 01, 2018). The note was renewed for a further period of one month on May 24, 2018 after payment of Cdn $20K as penalty as per the original promissory note. The renewed note was repayable on July 01, 2018, but has been renewed to December 1, 2018 for a commitment fee of Cdn $5,000 with a penalty clause for payment of Cdn $20K in the event of a default in paying the principal amount on the due date (December 01, 2018). The Promissory Note was subsequently renewed in November, 2018 and again thrice in March, 2019, July, 2019 and January, 2020. The latest renewed note is repayable on February 01, 2021, with a penalty clause for payment of Cdn $20K in the event of a default in paying the principal amount on the due date (February 01, 2021) or if the note is not rolled over. The promissory note has the option of paying out the principal amount anytime before the maturity date without any penalty.

On September 27, 2018, the primary shareholder loaned to the Company $88 (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 $73 (Cdn $100K) on an interest free promissory notes repayable on demand. As of June 30, 2020, $16 (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 $110 (Cdn $150K) for a total of $220 (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 $220 (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 $499 (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 condensed interim consolidated financial statements note 5c). In April 2020 the Promissory Note was amended and a further amount of$1.52 million (Cdn $2.15 million) was advanced bring the total Promissory Note to $2 million (Cdn $2.83 million). The additional proceeds were used to pay fees and obligations under the the Company's 9% convertible debentures – refer condensed interim consolidated financial statements Note 16.

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 $106 (Cdn $150,000) to the Facility Lender for the increase to the amount available under the Amended and Restated Promissory Note.

In April 2020 the terms of its outstanding $10.6 million (Cdn $15 million) principal amount unsecured 9% convertible debentures due March 27, 2020 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 13, 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 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 $1.4 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

9. 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 June 30, 2020 condensed interim consolidated financial statements.

10. 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 the Company's June 30, 2020 condensed interim consolidated financial statements.

11. 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.

12. 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 June 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."

13. 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 June 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 June 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 June 30, 2020.

The effectiveness of the Company’s internal control over financial reporting as of September 30, 2019, 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.

14. 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:

		30-Jun-20		30-Sep-19
Total (Deficiency)	$	(8,906)	$	(14,265)
Cash and cash equivalents		(403)		(333)
(Deficiency)		(9,309)		(14,598)
Total (Deficiency)		(8,906)		(14,265)
Promissory Notes		2,812		753
Working capital facilities		7,034		1,060
Non-current liabilities		3,825		142
Debentures payables		1,469		11,009
Overall Financing	$	6,234	$	(1,301)
Capital to Overall financing Ratio		1.49		(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:

		June 30, 2020		September 30, 2019
Cash and cash equivalents	$	403	$	333
Trade and other receivables		2,979		346
Carrying amount	$	3,382	$	679

Cash equivalents are comprised of the following:

		June 30, 2020		September 30, 2019
Cash	$	403	$	333
Cash equivalents		-		-
	$	403	$	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 June 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 – See condensed interim consolidated financial statements Note 2(b).

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 variable interest debt as described in condensed interim consolidated financial statements Notes 5, 9 and 16. Changes in interest rates will affect future interest expense and cash flows. The Company does not enter into derivative instruments to reduce this exposure.

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 $28 (June 30, 2020) and $4 (March 31, 2020).

If the US dollar to Canadian foreign exchange rate changed by 2% this would change the recorded net gain by $30.

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 June 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.

15. 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 aperiod 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, 2019.

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, 2019, is available on SEDAR.