

ELECTROVAYA INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2018**

February 05, 2019

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 February 05, 2019 and it is, therefore, dated as at that date. This MD&A includes the operating and financial results for the quarters ending December 31, 2018 and 2017, 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 may contain forward-looking statements, that involve a number of risks and uncertainties, including statements that relate to, among other things, the Company's need for commoditized contract manufacturing facilities in its product development process, the effect of Litarion's insolvency filing on the Company's financial position and performance, the future direction of the Company's business and products, the effect of a structured sale of Litarion, including on the Company's overhead and operations, the Company's ability to source supply to satisfy demand for its products and satisfy current order volume, expectations with respect to German court actions with respect to any insolvency process of Litarion, 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, the steps to be pursued to achieve the Company's strategic objectives, whether the Company's battery and battery systems will continue to be competitive with currently-available with the market, including in respect of scalability and safety, whether the alternative energy market will continue to be robust and that new and important opportunities will be available to the Company, whether the Company's ELivate product line will continue its promising start in terms of revenue, whether the Company will continue to lease its current headquarters for the full three-year term, whether the Company will expand the number of individuals involved in the accounting function, the Company's markets, objectives, goals, strategies, intentions, beliefs, expectations and estimates, and 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 negative thereof) and words and expressions of similar import. Readers and investors should note that estimated and forecasted orders and volumes provided by customers and potential customers to Electrovaya 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 and 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, such statements involve 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, 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. Important factors that could cause actual results to differ materially from expectations include but are not limited to: 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, negative reactions of the Company's existing customers to Litarion's insolvency filing, the purchase orders actually placed by customers of Electrovaya; the customers of Electrovaya terminating agreements or not renewing agreements annually; general business and economic conditions (including but not limited to currency rates and creditworthiness of customers); 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; and the ability to execute strategic plans. Additional information about material factors 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 "Risk Factors", in the Company's Annual Information Form ("AIF") for the year ended September 30, 2018, and 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.

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. On October 23, 2018 the Company completed the sale and leaseback of the facility, with a 54,000 square foot lease in the premises. 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 and a sales and engineering representative based in Taiwan.

Electrovaya has a team of mechanical, electronic, battery 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.
- 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. 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 cells and modules 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 pursue the following:

- 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 electric vehicles, electric buses, energy storage and similar other applications.

3. OVERALL PERFORMANCE AND SELECTED FINANCIAL INFORMATION

Years ended September 30, 2018, 2017 and 2016

i) Financial Condition

	2018	2017	2016
Cash and Cash Equivalents			
From continued operations	\$126	\$3,402	\$192
From discontinued operations	-	39	476
Cash and Cash Equivalents	126	3,441	668
Total Assets			
From continued operations	15,830	22,067	15,201
From discontinued operations	-	13,476	15,630
Total Assets	15,830	35,543	30,831
Total Long Term Liabilities			
From continued operations	10,662	10,082	149
From discontinued operations	-	748	734
Total Long Term Liabilities	10,662	10,830	883
Shareholders' Equity (Deficiency) from continued operations	\$(13,758)	\$(1,221)	\$7,950

Our Cash and Cash Equivalents balance decreased from 2017 to 2018 by \$3,315. Cash and Cash Equivalents were approximately \$1,002 as at September 30, 2018, and \$1,117 as at September 30, 2017.

ii) Results of Operations and Cash Flow

	2018	2017	2016
Revenue			
From continued operations	\$5,633	\$2,275	\$1,868
From discontinued operations	865	6,492	17,667
Revenue	\$6,498	\$8,767	19,535
Revenue, Less Direct Manufacturing Costs			
From continued operations	1,764	905	1,009
From discontinued operations	(2,781)	(5,972)	3,862
Revenue, Less Direct Manufacturing Costs	(1,017)	(5,067)	4,871
Loss Before other items			
From continued operations	9,884	4,394	1,794
From discontinued operations	6,589	16,613	6,051
Loss Before other items	16,473	21,007	7,845
Net Loss for the year			
From continued operations	10,172	4,654	2,227
From discontinued operations	12,485	16,520	6,564

Net Loss for the year	22,657	21,174	8,791
Basic and Diluted Loss(gain) per Share			
From continued operations	0.10	0.05	0.03
From discontinued operations	0.13	0.19	0.07
Basic and Diluted Loss per Share	0.23	0.24	0.10
Cash flow (used in) from Operating Activities			
From continued operations	(5,173)	(1,201)	(13,567)
From discontinued operations	(1,827)	(17,984)	3,945
Cash flow (used in) Operating Activities	\$(7,000)	\$(19,185)	\$(8,090)

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 32% in 2018. Revenue derived from US and European customers as a percentage of the Company's revenue was approximately 46% in 2017. Revenue decreased for the year ended September 30, 2018 compared to 2017 due to a decrease in revenues from our German operations.

For the years ended September 30, 2018, 2017 and 2016, revenues from major business activities were as follows:

	2018	2017	2016
Large Format Batteries			
From continued operations	\$5,330	\$2,129	\$1,595
From discontinued operations	-	5,333	6,930
Large Format Batteries	5,330	7,462	8,525
Other			
From continued operations	303	146	273
From discontinued operations	865	1,159	10,737
Other	1,168	1,305	11,010
Total Revenue			
From continued operations	5,633	2,275	1,868
From discontinued operations	865	6,492	17,667
Total Revenue	\$6,498	\$8,767	\$19,535

The decrease in large format batteries revenue of \$2,132 from 2017 to 2018 is primarily due to lower revenues at our German operations.

Other revenue decreased by \$137 in 2018 as compared to 2017.

For the years ended September 30, 2018, 2017 and 2016, revenues attributed to regions based on location of customer were as follows:

	2018	2017	2016
Canada			
From continued operations	\$3,820	\$1,237	\$474
From discontinued operations	-	-	-
Canada	3,820	1,237	474
United States			
From continued operations	1,785	991	1,150
From discontinued operations	-	(47)	1,591
United States	1,785	944	2,741
Germany			
From continued operations	28	-	-
From discontinued operations	865	3,625	15,977
Germany	893	3,625	15,977
Norway			
From continued operations	-	-	127
From discontinued operations	-	-	-
Norway	-	-	127
Others			
From continued operations	-	47	117
From discontinued operations	-	2,914	99
Others	-	2,961	216
Total revenue			
From continued operations	5,633	2,275	1,868
From discontinued operations	865	6,492	17,667
Total revenue	\$6,498	\$8,767	\$19,535

Operating losses for continued operations, represented by Loss Before Foreign Exchange and Interest, Taxes and Amortization, increased by \$5,490 from 2017 to 2018 because of an increase in research and development costs of \$840 due to the development of new products for the OEM markets and an increase in general and administrative costs of \$4,337 due primarily to a reimbursement of expenses in 2017 without the corresponding inclusion of the discontinued operations expenses.

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

iii) Quarterly Financial Results from Continued Operations

For the three month period December 31, 2018, total revenue increased by 163.6% to \$1,972 from \$748 for the quarter ended December 31, 2017.

Quarterly revenue from continued operations are as follows:

	Q1	Q2	Q3	Q4
2019	\$1,972	-	-	-
2018	\$748	\$3,269	\$397	\$1,219
2017	\$733	\$326	\$1,030	\$186

For the quarters ended December 31, 2018 and 2017, revenue was \$1,972 and \$748 respectively. The \$1,224 or 163.6% increase in revenue resulted from higher order volume for large format batteries during the quarter ended December 31, 2018.

For the quarter ended December 31, 2018 four customers represented more than 10% of total revenue (quarter ended December 31, 2017 - two customers). Our largest customer accounted for 25% and 38.9% of total revenue for the quarters ended December 31, 2018 and 2017 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 despite the current economic environment.

For powering MHEVs, a number of large companies are testing Electrovaya's ELivate line of batteries in their intensive use applications. In Q1 2019, a majority of the revenues of \$1,972 came from the ELivate product line, which we believe is promising for this new product line.

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

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 December 31, 2018, direct manufacturing costs increased by \$782 to \$1,251 from \$469 for the quarter ended December 31, 2017 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 \$721 or 36.6% of revenue for the three months ended December 31, 2018 compared to a profit of \$279 or 37.3% of revenue for the three months ended December 31, 2017.

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, increased by \$208 during the quarter ended December 31, 2018 to \$927 from \$719 in the same quarter in the prior year as the Company continues to invest in further developing Lithium Ion applications.

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 December 31, 2018 and 2017, sales and marketing expenses were \$358 and \$316 respectively. The \$42 or 13.3% increase was primarily due to an increase in salaries and benefits, development of demo products and consulting fees during the quarter ended December 31, 2018.

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 December 31, 2018 and 2017, general and administrative expenses were \$539 and \$733 respectively. The \$194 or 26.5% decrease was primarily due to approximately \$170 lower costs in consultancy and professional fees in the current quarter as compared to the quarter ended December 31, 2017.

Stock based compensation. Non-cash stock-based compensation expense decreased by \$29 to \$49 for the quarter ended December 31, 2018 compared to the same quarter in 2017.

Financing costs. For the quarters ended December 31, 2018 and 2017, financing costs were \$582 and \$986 respectively. The reduction of \$404 is due to repayment of debt.

Patent and trademark costs. Patent and trademark expense increased from \$8 in the same quarter in the prior year to \$14 for the quarter ended December 31, 2018.

Net Profit/(Loss)

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

(\$ thousands)	Q1	Q2	Q3	Q4
2019	\$2,756	-	-	-
2018	\$(2,683)	\$(2,667)	\$(2,499)	\$(2,323)
2017	\$(763)	\$(501)	\$(1,898)	\$(1,492)

The decrease in the net loss from the first quarter of fiscal 2018 to the first quarter of fiscal 2019 was largely due to a \$4,163 gain on the sale of land and building, an increase in revenue, a decrease in general and administration cost, a decrease in stock based compensation expense, a decrease in amortization costs, a decrease in financing costs and an increase in foreign exchange gain and interest income offset by an increase in direct manufacturing costs, an increase in

research and development costs, an increase in sales and marketing expense 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
2019	\$0.03	-	-	-
2018	\$(0.03)	\$(0.03)	\$(0.03)	\$(0.01)
2017	\$(0.00)	\$(0.01)	\$(0.02)	\$(0.02)

4. LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2018, the Company had \$446 in cash and cash equivalents compared to \$126 and \$1,206 as at September 30, 2018 and December 31, 2017 respectively.

Cash used in operating activities for continued operations was \$471 for the quarter ended December 31, 2018 compared to \$1,761 used during the quarter ended December 31, 2017. Net cash generated in operating activities during the quarter ended December 31, 2018 primarily reflects the net gain of \$2,756, an increase in non-cash operating working capital of \$650, an increase in non-cash financing costs of \$218, stock-based compensation expense of \$49 and amortization of \$19, offset by the removal of the non-operating gain on sale of property, plant and equipment.

In July 2016, the Company entered into a definitive loan agreement with a Schedule 1 Canadian Chartered Bank. The agreement with the Bank provides a \$10,000 credit facility comprised of a \$4,000 letter of credit and a \$6,000 revolving working capital facility. Under the \$6,000 revolving working capital facility the Company may borrow up to 90% on Export Development Canada (“EDC”) insured accounts receivable and 60% on inventory held in Canada and EDC insured export contracts. Interest is at prime rate plus 1% per annum.

As collateral for the credit facility the Company has assigned \$1,000 of term deposits. This amount along with accrued interest is reflected as restricted cash in the financial statements as at September 30, 2018.

In November 2017, the amount drawn under the \$6,000 revolving working capital facility exceeded the amount available under the loan agreement. The bank and the Company entered into an accommodation agreement whereby the Company could draw up to \$5,000 as an overdraft facility not subject to the 90% of EDC insured accounts receivable and 60% of inventory test. In exchange, the Company provided a third mortgage of Cdn \$4 million charge to the bank on the Mississauga land and buildings. The accommodation agreement is for an indefinite time period but may be withdrawn at any time by the bank.

On February 25, 2018, the Company and the bank amended the accommodation agreement to increase the third mortgage charge by Cdn \$4 million to bring the total charge to Cdn \$8 million.

As at September 30, 2018, the Company has drawn the available facility bringing the total amount drawn to \$9,000 (i.e. \$5,000 on revolving facility and \$4,000 on letter of credit facility).

Following the sale of the Company's Mississauga headquarters, the Company applied its restricted cash of \$1,012, proceeds from the sale of \$5,862 and made further payments in the quarter to reduce the outstanding balance as of December 31, 2018 to approximately \$269. Subsequent to the year end, this balance was fully repaid and all security released.

On March 27, 2017, the Company closed an offering for 9% unsecured convertible debentures (the "Debentures") for an aggregate gross proceeds of \$11,300 (Cdn \$15,000,000). The issue costs were \$751 (Cdn \$1,000,543) resulting in net proceeds of \$10,600 (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 have a maturity date of March 27, 2020 (the "Maturity Date"). The Debentures are 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 the Debentures. The Debentures are subject to accelerated conversion in certain circumstances, and the Conversion Price may be adjusted in certain circumstances, all as more particularly described in the Company's news release dated March 15, 2017 and material change report dated March 22, 2017.

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 are 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 of \$273 due on June 30, 2017 was settled by issuing 253,928 common shares of the Company.

The interest of \$535 due on December 31, 2017 was settled by issuing 843,380 common shares of the Company.

The interest of \$509 due on June 30, 2018 was settled by issuing 2,257,275 common shares of the Company in the first week of July, 2018.

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

On September 29, 2017, Electrovaya raised \$3,677 (Cdn \$4.6 million) through the brokered private placement of 4,000,000 units, with each unit consisting of one common share at Cdn \$1.15 and one share purchase warrant. Each share warrant is exercisable into one common share of the Company within a period of 60 months at a price of Cdn \$1.45 per share.

On October 4, 2017, Electrovaya raised \$556 (Cdn \$695k) through the brokered private placement of 604,347 units, with each unit consisting of one common share at Cdn \$1.15 and one share purchase warrant. Each share warrant is exercisable into one common share of the Company within a period of 60 months at a price of Cdn \$1.45 per share.

On December 22, 2017, Electrovaya raised \$1,599 (Cdn \$2 million) through a private placement of 3,333,333 units with each unit consisting of 1 common share at Cdn \$0.60 and one share purchase warrant. Each share warrant is exercisable into one common share of the Company within a period of 60 months at a price of Cdn \$0.73 per share.

On December 4, 2017, the primary shareholder guaranteed a loan to the Company \$399 (Cdn \$500K) for six-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). In November 2018 the Promissory Note was renewed. The renewed note is repayable on March 1st 2019, with a penalty clause for payment of Cdn \$20K in the event of a default in paying the principal amount on the due date (March 01, 2019).

On May 30, 2018, the Company completed a private placement to certain directors, officers and employees consisting of 4,450,001 units for gross proceeds of \$520 (Cdn \$667.5K). Each unit comprised one common share and one-half of one common share purchase warrant, for a total of 2,224,999 warrants. Each whole warrant is exercisable to purchase one common share at a price of \$0.15 (Cdn \$0.20) for a period of 36 months.

On October 23, 2018 the company completed the sale of its headquarters in Mississauga for gross proceeds of Cdn \$22.5 million and will lease the same premises of 54,000 square feet for three years. The lease expires on October 31, 2021. After purchase price adjustments and brokerage, the proceeds to the Company were Cdn \$20.2 million and were used to pay down debt and for working capital purposes.

Management acknowledges that uncertainty remains over the Company's ability to meet its funding requirements and to refinance or repay its notes payable as they fall due. However management expects that the Company has, or has access to, adequate resources including private placement of equity and operating cash flows, 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 December 31, 2018, we had the following contractual obligations:

Year of Payment Obligation	Lease Obligations	Debt Repayment
2019	\$212	\$ 723
2020	283	\$10,994
2021	283	-
2022	24	-
Total	\$802	\$11,717

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, 2016	87,193,642	\$75,339
Issuance of shares	517,000	398
Fair value of stock options exercised	-	2
Fair value of share warrants exercised	-	121
Balance, December 31, 2016	87,710,642	\$75,860
Issuance of shares	152,365	108
Fair value of stock options exercised	-	72
Fair value of share warrants exercised	-	2
Balance, March 31, 2017	87,863,007	\$76,042
Issuance of shares	253,928	273
Balance, June 30, 2017	88,116,935	\$76,315
Issuance of shares	4,000,000	3,385
Balance, September 30, 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, 2018 & December 31,	103,605,271	\$81,858

The following table reflects the quarterly stock option activities for the period from September 30, 2016 to December 31, 2018:

	Number outstanding	Weighted average exercise price
Outstanding, October 1, 2016	3,760,834	\$0.89
Granted during quarter ended December 31, 2016	651,000	\$1.59
Exercised during quarter ended December 31, 2016	(13,000)	\$0.24
Outstanding, December 31, 2016	4,398,834	\$0.87
Exercised during quarter ended March 31, 2017	(140,165)	\$0.70
Cancelled or expired	(16,000)	\$0.59
Outstanding, March 31, 2017	4,242,669	\$0.87
Cancelled or expired	(121,666)	\$1.31
Outstanding, June 30, 2017	4,121,003	\$0.89
Granted during quarter ended September 30, 2017	120,000	\$0.98
Outstanding, September 30, 2017	4,241,003	\$0.92
Cancelled or expired	(100,000)	\$0.54
Outstanding, December 31, 2017	4,141,003	\$0.97
Granted during quarter ended March 31, 2018	775,000	\$0.22
Outstanding, March 31, 2018	4,916,003	\$0.92
Cancelled or expired	(40,000)	\$1.62
Outstanding, June 30 & September 30, 2018	4,876,003	\$0.91
Cancelled or expired	(25,400)	\$1.04
Outstanding, December 31, 2018	4,850,603	\$0.89

In March, 2017, the Company received approval at its Annual Shareholders Meeting to increase the number of shares reserved for issuance under the stock option plan by 1,500,000 from 8,600,000 to 10,100,000. Options to purchase common shares of the Company under its stock option plan may be granted by the Board of Directors of the Company to certain full-time and part-time employees, directors and consultants of the Company and its affiliates. Stock options are non-assignable and may be granted for terms of up to 10 years. Stock options vest at various periods from zero to three years.

The following table reflects the outstanding warrant activities for the period from October 1, 2016 to September 30, 2018:

	<u>Number Outstanding</u>	<u>Exercise Price</u>
Outstanding, Oct 01, 2016	1,348,868	
Exercised during the quarter ended Dec 31, 2016	<u>-504,000</u>	\$0.78
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	<u>1,740,000</u>	\$2.10
Outstanding, Mar 31, 2017 & Jun 30, 2017	3,572,668	
Issued during the quarter ended Sep 30, 2017	<u>4,000,000</u>	\$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	<u>-446,000</u>	\$0.91
Outstanding, Dec 31, 2017	11,064,348	
Expired during the quarter ended Mar 31, 2018	<u>-386,668</u>	\$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	<u>1,000,000</u>	\$0.14

Outstanding, June 30, Sep 30 and Dec 31, 2018

13,902,679

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	

As of December 31, 2018, the Company had 103,605,271 common shares outstanding, 4,850,603 options to purchase common shares outstanding, 601,373 compensation options outstanding and 13,902,679 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 \$446 as at December 31, 2018, \$126 as at September 30, 2018 and \$439 as at June 30, 2018.

Capital Assets. Approximately \$Nil of capital assets were acquired during the year December 31, 2018.

*In accordance with IFRS, Electrovaya has elected to revalue its Land and Building on a five year basis, as at June 30th of those years. As a result, Land and Building are carried at revalued amounts as opposed to historical cost. The Land and Building assets have been revalued based on the report of an independent qualified valuer. If the revalued assets were stated on the historical cost basis, the net book value of these assets would be Land at September 30, 2018 \$5,318 (September 30, 2017 - \$5,493) and Building at September 30, 2018 - \$801 (September 30, 2017 - \$896).

The revaluation surplus of Land \$3,250 and Building \$2,237 was recorded through Other Comprehensive Income as at September 30, 2017.

The revaluation surplus of land \$3,250 and building \$2,237 was transferred to Deficit as a result of sale of premises.

On September 1, 2018, 1408871 Ontario Inc. and Electrovaya Corporation were amalgamated under the Business Corporations Act (Ontario) and the amalgamated company continued as Electrovaya Corporation. The land and building were sold on October 23, 2018 for a gain of \$4,163 (See Liquidity and Capital Resources).

Current Liabilities. Current liabilities were \$3,639 as at December 31, 2018 as compared to \$18,926 as at September 30, 2018.

Share Capital. Of an authorized unlimited number of common shares, 103,605,271 in the amount of \$81,858 are issued and outstanding as at December 31, 2018.

Present Status

During the quarter ended December 31, 2018, the loss before amortization, foreign exchange, interest income, gain on sale of property, plant and equipment and provision for tax of continued operations decreased by \$813 or 31.7% compared to the quarter ended December 31, 2017.

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 through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interest of the Company's shareholders and may result in dilution to the value of such interests. The Company intends to fulfill its obligations and maintain a positive financial condition.

Financing

The Company has significantly reduced its debt position and released all lenders' security. As such, 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 December 31, 2018.

8. RELATED PARTY TRANSACTIONS

There were no balances outstanding as at December 31, 2018 and December 31, 2017. During the quarter ended December 31, 2018, the Company paid \$31 (2017 - \$27) 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 December 31, 2018 (2017-\$19). During the quarter ended December 31, 2018, the Company paid \$47 (2017 - \$49) 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 April 1, 2017 the Company entered into a Consultant Services Agreement with a Member of the Board of Directors with respect to the provision of certain strategic advisory services. The contract was for a one-year period, renewable annually unless terminated by either party. The annual fee for the consulting services was \$38 (Cdn \$50K). By mutual agreement this Consultant Service Agreement was terminated in December 2017.

On December 4, 2017, the primary shareholder guaranteed a loan to the Company \$399 (Cdn \$500K) for 6 months 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). In November 2018 the Promissory Note was renewed. The renewed note is repayable on March 1st 2019, with a penalty clause for payment of Cdn \$20K in the event of a default in paying the principal amount on the due date (March 01, 2019).

On May 30, 2018, the Company completed a private placement to certain directors, officers and employees consisting of 4,450,001 units for gross proceeds of \$520 (Cdn \$667,500). Each unit comprised one common share and one-half of one common share purchase warrant, for a total of 2,224,999 warrants. Each whole warrant is exercisable to purchase one common share at a price of \$0.15 (Cdn \$0.20) for a period of 36 months.

Each of the private placement which closed on December 22, 2017 and the entering into of the Facility constitute a “related party transaction” for the Company within the meaning of that term pursuant to Multilateral Instrument 61-101 of the Canadian Securities Administrators - Protection of Minority Security Holders in Special Transactions (“MI 61-101”), as the investor “beneficially owns” (within the meaning of that term under MI 61-101) greater than 10% of the outstanding common shares. MI 61-101 provides that related party transactions are, in the absence of an exemption therefrom, subject to the requirement to obtain a formal valuation for the subject matter of the related party transaction and minority shareholder approval of the related party transaction (which approval shall exclude any votes attached to common shares held by the participating related party). The Company relied on the exemptions from the formal valuation and minority approval requirements of MI 61-101 in respect of the transactions provided for in sections 5.5(a) and 5.7(1)(a) of MI 61-101 - Fair Market Value Not More than 25% of Market Capitalization.

Also pursuant to MI 61-101, the private placement and the Facility are subject to enhanced disclosure, which has been and will be included in any material change report filed in connection therewith.

On August 8, 2018, the Company entered into an agreement with a corporation controlled by a director for a secured demand promissory note for Cdn \$1.5 million payable on demand with interest accruing at 10% per annum. The Company's obligations under the loan facility are guaranteed by Electrovaya Corp. and 1408871 Ontario Inc., subsidiaries of the Company. The guarantee of 1408871 Ontario Inc. are secured by a fourth charge on the Company's property at 2645 Royal Windsor Dr., Mississauga, Ontario, L5J 1K9.

The note was fully repaid on October 23, 2018.

On September 27, 2018, the primary shareholder loaned to the Company \$93 (Cdn \$120K) in the form of an interest free promissory notes repayable on demand. The arrangement also carries a commitment and legal fee of Cdn \$10K.

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 2 of our condensed interim consolidated financial statements and their related notes for the quarter ended December 31, 2018.

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 2 of our condensed interim consolidated financial statements and their related notes for the quarter ended December 31, 2018.

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 December 31, 2018.

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 December 31, 2018, 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 December 31, 2018, 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 December 31, 2018.

The effectiveness of the Company's internal control over financial reporting as of September 30, 2018, 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:

	31-Dec-18	30-Sep-18
Total (Deficiency)	\$ (10,591)	\$ (13,758)
Cash and cash equivalents	(446)	(126)
(Deficiency)	<u>(11,037)</u>	<u>(13,884)</u>
Total (Deficiency)	(10,591)	(13,758)
Promissory Note	454	7,223
Other payables	115	114
Line of Credit	269	9,043
9% Convertible Debentures	10,176	10,548
Overall Financing	\$ 423	\$ 13,170
Capital to Overall financing Ratio	(26.1)	(1.05)

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:

	December 31, 2018	September 30, 2018	
Cash and cash equivalents	\$ 446	\$ 126	
Restricted cash	-	1,012	
Trade and other receivables	1,187	916	
Carrying amount	<u>\$ 1,633</u>	<u>\$ 2,054</u>	Cash equ

ivalents are comprised of the following:

	December 31, 30, 2018	September 30, 2018
Cash	\$ 446	\$ 126
Cash equivalents	-	-
	<u>\$ 446</u>	<u>\$ 126</u>

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 December 31, 2018 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 \$2,364 (2017 - \$1,446), Promissory Note and loan financing of \$454 (2017 - \$6,065) and long-term liabilities of \$115 (2017 Nil). 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. 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 through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interest of the Company's shareholders and may result in dilution to the value of such interests. The Company intends to fulfill its obligations.

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 cash balances and fixed interest-bearing debt at 24% and prime plus 1%. 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 \$82 (December 31, 2018) and \$1,002 (September 30, 2018).

If the US dollar to Canadian foreign exchange rate changed by 2% this would change the recorded net gain by \$24.

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 December 31, 2018.

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.

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, 2018.

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, 2018, is available on SEDAR.