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ELECTROVAYA INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2018**

August 14, 2018

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 August 14, 2018 and it is, therefore, dated as at that date. This MD&A includes the operating and financial results for the quarters ending June 30, 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, 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 Company's expectations with respect to a sale of its premises and continued premises for operations, the ability to drive sales through OEM channels and direct sales to customers, ability to receive further purchase orders, ability to deliver on such purchase orders, revenue forecasts, potential efficiency and productivity gains from using the Company's products, estimated orders and volumes provided to Electrovaya by customers and potential customers, order forecasts, customer orders revenue forecasts, technology development progress, plans for shipment of products and production plans for products, the availability of supplies and other inputs required for producing the Company's products, 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 inability to sell the Company's premises or to do so at a price reflecting appropriate value, 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, 2017, 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

We design, develop and manufacture directly or through out-sourced manufacturing Lithium Ion batteries for the materials handling electric vehicles 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 Material Handling Electric Vehicles (MHEV) including fork-lifts as well as accessories such as battery chargers to charge the batteries;
- (b) Lithium Ion Batteries for other transportation applications;
- (c) industrial and residential products for energy storage;

We currently own a 156,000 square foot battery and battery systems research and manufacturing facility in Mississauga, Ontario. Since we started using more contract manufacturing, we need less space to operate and have decided to sell-lease back the premises and have received an unconditional offer for our land and building for about \$22.5 million CAD. We will be leasing part of the premises for our own operation. We research in many areas of lithium ion batteries and have developed and patented a number of items in the lithium ion battery area. We carry out engineering development at this facility, including assembly of complete battery systems. We have operating personnel at our headquarters in Canada and sales personnel in the USA and a sales and engineering representative based in Taiwan.

Effective April 29, 2015, as a result of the acquisition of Litarion GmbH ("Litarion"), we acquired an advanced automated production plant for lithium-ion electrodes and ceramic composite separators, with a rated capacity of 0.5 gigaWatt hours ("GWh") of electrodes and 10 million m² of ceramic separators along with all associated intellectual property. The plant is located in Kamenz, Germany and consists of approximately 143,000 square feet of leased manufacturing and warehouse space.

On January 25, 2018, the Company's wholly owned German subsidiary commenced a voluntary structured insolvency process. An Administrator has been appointed who has engaged a Merger and Acquisition specialist to conduct an orderly sale process. As such, the Litarion assets and liabilities were reclassified as discontinued operations and carried at net realizable value for the quarter ended December 31, 2017 and as effective control was lost on January 25, 2018, the subsidiary was not consolidated from quarter ended March 31, 2018 and the net carrying amount of \$5,105 was reflected on the balance sheet as Net Liabilities (Assets) held for sale and carried at net realizable value.

On April 30, 2018, the Administrator commenced insolvency proceedings and assumed control of the assets of Litarion GmbH. As the risks and benefits of ownership have now passed to the Administrator, the net liabilities(assets) held for sale have been written off with the gain recorded as a component of comprehensive income.

This process allows Electrovaya to go forward with reduced cash burn and with a suite of lithium ion battery products more focused on high value intensive use battery applications and move away from having to own a component supplier of products (electrodes and separators) that are largely commoditized.

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 substantive Intellectual property in this lithium ion battery sector.

We believe 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. We have designed, developed and manufactured large-format prismatic pouch cells suitable for the electro-motive and energy storage industry.
- *Safety:* We believe our batteries provides 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

Our acquisition of Litarion allowed us to add the decade-long experience and knowledge of Litarion and gave improved capabilities to Electrovaya. Over the last two years, we developed a series of products which focused 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 using the Litarion produced electrodes and ceramic separators and then went on to produce cell modules, battery management systems, software and firmware necessary to deliver systems for discerning users. We also developed supply chain which could produce needed components including cells and modules needed for our battery systems. Supply chains

allows 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 chain to achieve scalable production and reduce or eliminate ownership of component suppliers. The battery systems we have developed was 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 make 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;
- 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

Unless otherwise indicated, all comparisons for the year ended September 30, 2017 are to the year ended September 30, 2016, and all comparisons to the fourth quarter of fiscal 2017 are to the fourth quarter of fiscal 2016. All figures are expressed in thousands of US dollars, except where otherwise indicated.

Years ended September 30, 2017, 2016 and 2015

i) Financial Condition

(\$ thousands)	2017	2016	2015
Cash and Cash Equivalents			
From continued operations	\$3,402	\$192	\$447
From discontinued operations	39	476	5,862
Cash and Cash Equivalents	3,441	668	6,309
Total Assets			
From continued operations	22,067	15,201	8,882
From discontinued operations	13,476	15,630	18,461

Total Assets	35,543	30,831	27,343
Total Long Term Liabilities			
From continued operations	10,082	149	1,381
From discontinued operations	748	734	1,999
Total Long Term Liabilities	10,830	883	3,380
Shareholders' Equity (Deficiency) from continued operations	\$(1,221)	\$7,950	\$12,537

Our cash and cash equivalents balance increased from 2016 to 2017 by \$2,773. This is primarily due to loan financing. The Cash and Cash Equivalents in US dollars were approximately \$1,117 as at September 30, 2017, and \$1,288 as at September 30, 2016.

ii) Results of Operations and Cash Flow

(\$ thousands)	2017	2016	2015
Revenue			
From continued operations	\$2,275	\$3,587	\$2,018
From discontinued operations	6,492	15,948	14,550
Revenue	\$8,767	19,535	\$16,568
Revenue, Less Direct Manufacturing Costs			
From continued operations	880	1,009	861
From discontinued operations	(5,947)	3,862	4,116
Revenue, Less Direct Manufacturing Costs	(5,067)	4,871	4,977
Loss(gain) Before other items			
From continued operations	4,394	1,794	4,638
From discontinued operations	16,613	6,051	(1,979)
Loss Before other items	21,007	7,845	2,659
Net Loss(gain) for the year			
From continued operations	4,771	2,227	4,620
From discontinued operations	16,403	6,564	(1,427)
Net Loss for the year	21,174	8,791	3,193
Basic and Diluted Loss(gain) per Share			
From continued operations	0.05	0.02	0.06
From discontinued operations	0.19	0.08	(0.02)
Basic and Diluted Loss per Share	0.24	0.10	0.04
Cash flow (used in) from Operating Activities			
From continued operations	(1,720)	(12,035)	(2,877)
From discontinued operations	(17,465)	3,945	3,326
Cash flow (used in) from Operating Activities	\$(19,185)	\$(8,090)	\$449

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 in US dollars, as a percentage of the Company's revenue, was approximately 86% in 2017. Revenue derived from US and European

customers in US dollars as a percentage of the Company's revenue was approximately 97.6% in 2016. Revenue decreased for the year ended September 30, 2017 compared to 2016 due to a decrease in revenues from our German operations.

For the years ended September 30, 2017, 2016 and 2015, revenues from major business activities were as follows:

	2017	2016	2015
Large Format Batteries			
From continued operations	\$2,129	\$1,594	\$1,856
From discontinued operations	5,333	6,931	12,857
Large Format Batteries	7,462	8,525	14,713
Other			
From continued operations	146	273	148
From discontinued operations	1,159	10,737	1,707
Other	1,305	11,010	1,855
Total Revenue			
From continued operations	2,275	1,867	2,004
From discontinued operations	6,492	17,668	14,564
Total Revenue	\$8,767	\$19,535	\$16,568

The decrease in large format batteries revenue of \$1,063 from 2016 to 2017 is primarily due to the lower revenues at our German operations.

The other revenue decreased by \$9,705 in 2017 is due primarily to lower subsidies and transitional payments received in 2017 as compared to 2016.

For the years ended September 30, 2017, 2016 and 2015, revenues attributed to regions based on location of customer were as follows:

	2017	2016	2015
Canada			
From continued operations	\$1,237	\$474	\$1,053
From discontinued operations	-	-	-
Canada	1,237	474	1,053
United States			
From continued operations	991	1,149	-
From discontinued operations	(47)	1,592	-
United States	944	2,741	-
Germany			
From continued operations	-	-	-
From discontinued operations	3,625	15,977	14,548
Germany	3,625	15,977	14,548
Norway			
From continued operations	-	127	16
From discontinued operations	-	-	-

Norway	-	127	16
Others			
From continued operations	47	117	951
From discontinued operations	2,914	99	-
Others	2,961	216	951
Total revenue			
From continued operations	2,275	1,867	2,020
From discontinued operations	6,492	17,668	14,548
Total revenue	\$8,767	\$19,535	\$16,568

A decrease in labour and manufacturing overhead production costs and other expenses is primarily due to lower revenues.

Operating losses, represented by Loss Before Foreign Exchange and Interest, Taxes and Amortization, increased by \$5,186 from 2015 to 2016 because of an increase in research and development costs of \$1,566 due to the development of new products for the OEM markets and an increase in general and administrative costs of \$2,758 due primarily to an increase in the allowance for credit losses of \$2,547 in our German operations.

Operating losses, represented by Loss Before Foreign Exchange and Interest, Taxes and Amortization, increased by \$13,162 from 2016 to 2017 primarily because of a significant negative operating margin due to lower revenues and high labor and production overhead costs.

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

iii) Quarterly Financial Results for continued operations

For the three month period June 30, 2018, total revenue decreased by 61.5% to \$397 from \$1,030 for the quarter ended June 30, 2017.

Quarterly revenue of continued operations are as follows:

(\$ thousands)	Q1	Q2	Q3	Q4
2018	\$748	\$3,269	\$397	-
2017	\$733	\$326	\$1,030	\$186
2016	\$240	\$437	\$595	\$595

For the quarter ended June 30, 2018 three customer represented more than 10% of total revenue (quarter ended June 30, 2017 three customers). Our largest customer accounted for 50.7% and 45% of total revenue for the quarters ended June 30, 2018 and of 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 materials handling vehicles, a number of large companies are testing Electrovaya's ELIVATE line of batteries in their intensive use applications. In Q3, 2018, a majority of the revenues of \$397 came from the Elivate product line, which we believe is promising for revenues from this new Elivate line of battery products.

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 June 30, 2018, direct manufacturing costs decreased by \$513 to \$410 from \$923 for the quarter ended June 30, 2017 primarily due to lower cost associated with decreased revenue during the current quarter as compared to the same quarter prior year.

Revenue less Direct Manufacturing Costs was a loss of \$13 or 3.3% of revenue for the three months ended June 30, 2018 compared to a profit of \$107 or 10.4% for the three months ended June 30, 2017 due to additional cost incurred for work executed and billed in the quarter ended March 31, 2018.

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

Research and development expenses, net of investment tax credits (ITC), decreased by \$33 during the quarter ended June 30, 2018 to \$880 from \$913 in the same quarter in the prior year.

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, 2018 and 2017, sales and marketing expenses were \$256 and \$202 respectively. The \$54 or 26.7% increase was primarily due to an increase in salaries and benefits, development of demo products and consulting fees during the quarter ended June 30, 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 June 30, 2018 and 2017, general and administrative expenses were \$528 and \$(284) respectively. The \$812 or 285.9% loss was primarily due to approximately \$0.2 million additional costs in legal and professional fees and insurance cost in Q3 2018 and a

reimbursement of expenses without the corresponding inclusion of the discontinued operations expenses in Q3 2017.

Stock based compensation. Non-cash stock-based compensation expense increased by \$5 to \$64 for the quarter ended June 30, 2018 compared to the same quarter in 2017.

Financing costs. For the quarters ended June 30, 2018 and 2017, finance costs were \$766 and \$970 respectively.

Patent and trademark costs. Patent and trademark expense increased from \$5 in the same quarter in the prior year to \$14 for the quarter ended June 30, 2018.

Net Profit/(Loss)

Quarterly net profit/(losses) of continued operations are as follows:

(\$ thousands)	Q1	Q2	Q3	Q4
2018	\$(2,683)	\$(2,667)	\$(2,499)	-
2017	\$(765)	\$(499)	\$(1,898)	\$(1,552)
2016	\$(164)	\$(874)	\$(723)	\$(466)

The increase in the net loss from the third quarter of fiscal 2017 to the third quarter of fiscal 2018 is primarily due to 1) an increase in sales and marketing expense, 2) an increase in stock based compensation expense, 3) an increase in general and administration cost, 4) an increase in amortization costs 5) an increase in patents and trademark expenses offset by 1) a decrease direct manufacturing costs, 2) a decrease in research and development costs, 3) a decrease in financing costs and 4) a decrease in revenue.

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

	Q1	Q2	Q3	Q4
2018	\$(0.03)	\$(0.03)	\$(0.03)	-
2017	\$(0.00)	\$(0.01)	\$(0.03)	\$(0.02)
2016	\$0.00	\$(0.01)	\$(0.01)	\$(0.00)

4. LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2018, the Company had \$439 in cash and cash equivalents compared to \$3,402 and \$702 as at September 30, 2017 and June 30, 2017 respectively.

Cash used in operating activities for continued operations was \$2,995 for the nine months ended June 30, 2018 compared to \$459 used during the nine months ended June 30, 2017. Net cash used in operating activities during the nine months ended June 30, 2018 primarily reflects the operating loss of \$7,849 offset by an increase in non-cash operating working capital of \$3,425, an increase in non-cash financing costs of \$961, stock-based compensation expense of \$221 and amortization of \$247.

To fund the operations, the Company has put in place a credit facility with a Schedule 1 Canadian Chartered Bank. The agreement with the Bank provides a \$10 million credit facility comprised at a \$4 million letter of credit and a \$6 million revolving working capital facility. Under the \$6 million revolving working capital facility the Company may borrow up to 90% on 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 million of term deposits, this amount along with accrued interest is reflected as restricted cash in the financial statements as at June 30, 2018.

In November, 2017, the amount drawn under the \$6 million 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 million 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 June 30, 2018, the Company has drawn the available facility bringing the total amount drawn to \$9 million (i.e. \$5 million on revolving facility and \$4 million on Letter of Credit Facility).

On March 27, 2017, the Company closed an offering for 9% unsecured convertible debentures (the “Debentures”), for an aggregate gross proceeds of \$11,260,416 (Cdn \$15,000,000). The issue costs were \$751,102 (Cdn \$1,000,543) resulting in net proceeds of \$10,509,314 (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 holders 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 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.

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 units 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 19, 2017, the Company also entered into a binding term sheet for a drawdown equity facility (the “Facility”) with the same existing shareholder of up to Cdn \$8,000,000 for a term of twelve months, subject to TSX approval. Under the Facility, the Company may, in one or more drawdowns, sell to the shareholder on a private placement basis, and in accordance with the terms of the definitive agreements to be entered into in respect of the Facility, that number of common shares of the Company specified in a drawdown notice at a purchase price equal to the volume-weighted average trading price (“VWAP”) of the common shares on the TSX for the

five trading days after the applicable drawdown notice date, provided that aggregate drawdowns in any calendar month shall not exceed Cdn \$2,000,000.

The Company may only initiate a drawdown under the Facility provided that, among other things: (i) the VWAP of the common shares on the TSX for the five trading days preceding the applicable drawdown date exceeds Cdn \$0.50 per common share; (ii) the market capitalization of the Company exceeds Cdn \$50,000,000; and (iii) the terms to any drawdown in the definitive agreements in respect of the Facility are satisfied. A minimum of ten trading days must pass between the completion of one drawdown and the initiation of another, subject to waiver by the purchaser. The Facility is subject to the entering into of definitive agreements between the purchaser and the Company.

While the term sheet represents a binding obligation of both parties to enter into the facility, under current market conditions, it is not clear if definitive agreements with respect to the facility will be entered into. Should market conditions for the availability of funds under the facility improve, the Company may resume negotiation of definitive agreements.

As consideration for the purchaser's commitment under the Facility, the Company shall issue 4,000,000 common share purchase warrants to the purchaser, with each warrant being exercisable to purchase one common share at a price of Cdn \$0.74 for a period of 60 months from the date the definitive agreements governing the Facility are entered into.

On December 4, 2017, the primary shareholder guaranteed a loan to the Company \$399 (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 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).

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 \$667.5). 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 July 27, 2018, the Company entered into a binding agreement for the sale-leaseback of its headquarters at 2645 Royal Windsor Drive in Mississauga, Ontario (the "Property") for approximately Cdn \$22.5 million. Net proceeds to the Company are expected to be Cdn \$21 million before transaction expenses, subject to customary closing adjustments, and will be used to pay down debt and for working capital purposes.

Under the terms of the agreement, the transaction is expected to close on September 18, 2018 (the “Completion Date”) with a option to extend closing by a further 2 weeks. The sale is on an “as is” basis and also provides that as of Completion Date, Electrovaya will lease back from the buyer certain premises located on the Property. The agreement also provides that the terms of the formal lease will be settled by August 31, 2018.

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 Group is unable to continue as a going concern, then this could have an impact on the Group’s ability to realise assets at their recognised 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, 2018, we had the following contractual obligations:

Year of Payment Obligation	Lease Obligations	Debt Repayment
2018	-	\$ 381
2019	-	\$ 5,518
2020	-	\$11,416
2021	-	-
2022	-	-
2023	-	-
Total	-	<u>\$17,315</u>

5. OUTSTANDING SHARE DATA

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

	<u>Number</u>	<u>Amount</u>
Balance, September 30, 2015	80,954,024	\$ 69,804
Add: Shares issued during the quarter ended Dec 31, 2015	30,000	7
Fair value of stock options exercised	-	5
Balance, December 31, 2015	<u>80,984,024</u>	<u>69,816</u>
Add: Shares issued during the quarter ended Mar 31, 2016	801,187	450
Fair value of stock options exercised	-	30
Fair value of warrants exercised	-	176
Balance, March 31, 2016	<u>81,785,211</u>	<u>70,472</u>
Add: Shares issued during the quarter ended June 30, 2016	4,887,097	3,410
Fair value of stock options exercised	-	332
Fair value of warrants exercised	-	598
Balance, June 30, 2016	<u>86,672,308</u>	<u>74,812</u>
Add: Shares issued during the quarter ended Sep 30, 2016	521,334	368
Fair value of stock options exercised	-	81
Fair value of warrants exercised	-	78

Balance, September 30, 2016	87,193,642	75,339
Add: Shares issued during the quarter ended Dec 31, 2016	517,000	398
Fair value of stock options exercised	-	2
Fair value of warrants exercised	-	121
Balance, December 31, 2016	87,710,642	75,860
Add: Shares issued during the quarter ended Mar 31, 2017	152,365	108
Fair value of stock options exercised	-	72
Fair value of warrants exercised	-	2
Balance, March 31, 2017	87,863,007	76,042
Add: Shares issued during the quarter ended June 30, 2017	253,928	273
Balance, June 30, 2017	88,116,935	76,315
Add: Shares issued during the quarter ended Sep 30, 2017	4,000,000	3,385
Balance, September 30, 2017	92,116,935	79,700
Add: Shares issued during the quarter ended Dec 31, 2017	4,781,060	1,248
Balance, December 31, 2017 and March 31, 2018	96,897,995	80,948
Add: Shares issued during the quarter ended June 30, 2018	4,450,001	387
Balance, June 30, 2018	101,347,996	81,335

The following table reflects the quarterly stock option activities for the period from September 30, 2015 to June 30, 2018:

Outstanding September 30, 2015	4,985,166
Options exercised	(30,000)
Cancelled or expired	(186,666)
Outstanding December 31, 2015	4,768,500
Granted	150,000
Options exercised	(78,330)
Cancelled or expired	(90,000)
Outstanding March 31, 2016	4,750,170
Options exercised	(769,336)
Cancelled or expired	(13,332)
Outstanding June 30, 2016	3,967,502
Options exercised	(206,668)
Outstanding September 30, 2016	3,760,834
Granted	651,000
Options exercised	(13,000)
Outstanding December 31, 2016	4,398,834
Options exercised	(140,165)
Cancelled or expired	(16,000)
Outstanding March 31, 2017	4,242,669
Cancelled or expired	(121,666)
Outstanding June 30, 2017	4,121,003
Granted	120,000
Outstanding September 30, 2017	4,241,003
Cancelled or expired	(100,000)
Outstanding December 31, 2017	4,141,003

Granted	775,000
Outstanding March 31, 2018	4,916,003
Cancelled or expired	(40,000)
<u>Outstanding June 30, 2018</u>	<u>4,876,003</u>

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, 2015 to June 30, 2018:

	Number of warrants outstanding	Exercise price
Outstanding, Dec 31, 2015	6,117,486	
Issued during the quarter ended Mar 31, 2016	1,000,000	\$0.60
Exercised during the quarter ended Mar 31, 2016	-80,000	\$0.50
Expired during the quarter ended Mar 31, 2016	-613,334	\$0.50
Exercised during the quarter ended Mar 31, 2016	-642,857	\$0.57
Outstanding, Mar 31, 2016	5,781,295	
Exercised during the quarter ended Jun 30, 2016	-1,540,816	\$0.57
Exercised during the quarter ended Jun 30, 2016	-2,270,279	\$0.80
Exercised during the quarter ended Jun 30, 2016	-306,666	\$0.60
Outstanding, Jun 30, 2016	1,663,534	
Exercised during the quarter ended Sep 30, 2016	-306,666	\$0.60
Exercised during the quarter ended Sep 30, 2016	-8,000	\$0.80
Outstanding, Sep 30, 2016	1,348,868	
Exercised during the quarter ended Dec 31, 2016	-504,000	\$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	1,740,000	\$2.10
Outstanding, Mar 31 and June 30, 2017	3,572,668	
Issued during the quarter ended Sep 30, 2017	4,000,000	\$1.16
Outstanding, September 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, December 31, 2017	11,064,348	
Expired during the quarter ended Mar 31, 2018	-386,668	\$0.60
Outstanding, March 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, 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, 2018	601,373	

As of June 30, 2018, the Corporation had 101,347,996 common shares outstanding, 4,876,003 options to purchase common shares outstanding, 601,373 compensation options 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 \$439 as at June 30, 2018, \$2,043 as at March 31, 2018 and \$3,402 as at September 30, 2017.

Capital assets. Approximately \$Nil of capital assets were acquired during the quarter ended June 30, 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 June 30, 2018 \$5,229 (September 30, 2017 \$5,493) and Building at June 30, 2018 \$805 (September 30, 2017 \$896).

The revaluation surplus of Land \$3,250 and Building \$2,233 was recorded through Other Comprehensive Income.

Current Liabilities. Current liabilities were \$17,232 as at June 30, 2018 as compared to \$16,890 as at September 30, 2017.

Share capital. Of an authorized unlimited number of Common shares, 101,347,996 in the amount of \$81,335 are issued and outstanding as at June 30, 2018.

Present Status

During the quarter ended June 30, 2018, the loss before amortization, foreign exchange, interest income and provision for tax of continued operations increased by \$763 or 43.4% compared to the quarter ended June 30, 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

In February, 2014, the Company raised a principal amount of Cdn \$6.25 million in consideration of issuance of a two-year secured promissory note bearing interest at 8.25% per annum and 1,000,000 common share purchase warrants at an exercise price of Cdn \$0.65 per share exercisable immediately for a period of 24 months. The promissory note matured on February 11, 2016. It was renewed for a further 12 months maximum period under the same terms and issue of new 1,000,000 warrants for a 24 months period at an exercise price of Cdn \$0.79 per warrant exercisable immediately. The Company again renewed the note for a further one year period on February 17, 2017 under the same terms and issue of new 1,000,000 warrants for a 24 months period at an exercise price of Cdn \$2.74. The term sheet for the note renewal was agreed with effect from February 11, 2018 at 8.25% per annum for a period of 12 months. As a condition of the renewal of the promissory note, the Company issued new 1,000,000 warrants for a 24 months period on June 1, 2018 that vested immediately at the exercise price of Cdn \$0.18.

In April, 2015, the Company raised an additional \$802 (Cdn \$1 million) by placing a second mortgage on the property owned by its wholly owned Subsidiary, 1408871 Ontario Inc. The loan bearing interest at 10% per annum was to mature on April 17, 2017. This loan was renewed for further periods of one year in April 2016, April 2017 and April 2018. The loan has been renewed under the same terms for a period of one year to April, 2019. The balance of the loan as at June 30, 2018, net of currency translation adjustments is \$761 and as at March 31, 2018, net of currency translation adjustments is \$776.

In July, 2016, the Company entered into a definitive loan agreement with a Schedule 1 Canadian Chartered Bank. The agreement provides a \$10 million credit facility comprised of a \$4 million Letter of Credit and a \$6 million revolving working capital facility. Under the \$6 million revolving working capital facility, the Company may borrow up to 90% on 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 million of term deposits, this amount along with accrued interest is reflected as restricted cash in the financial statements as at June 30, 2018.

In November, 2017, the amount drawn under the \$6 million 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 million 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. The bank has requested that certain terms of the agreement be revised and discussions in this regard are ongoing.

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 June 30, 2018, the Company has drawn the available facility bringing the total amount drawn to \$9 million (i.e. \$5 million on revolving facility and \$4 million on Letter of Credit Facility).

On March 27, 2017, the Company closed an offering for 9% unsecured convertible debentures (the “Debentures”), for an aggregate gross proceeds of \$11,260,416 (Cdn \$15,000,000). The issue costs were \$751,102 (Cdn \$1,000,543) resulting in net proceeds of \$10,509,314 (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 this 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.

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 1 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 04, 2017, Electrovaya raised \$556 (Cdn \$695k) through the brokered private placement of 604,347 units, with each unit consisting of 1 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 units 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 19, 2017, the Company also entered into a binding term sheet for a drawdown equity facility (the "Facility") with the same existing shareholder of up to Cdn \$8,000,000 for a term of twelve months, subject to TSX approval. Under the Facility, the Company may, in one or more drawdowns, sell to the shareholder on a private placement basis, and in accordance with the terms of the definitive agreements to be entered into in respect of the Facility, that number of common shares of the Company specified in a drawdown notice at a purchase price equal to the volume-weighted average trading price ("VWAP") of the common shares on the TSX for the five trading days after the applicable drawdown notice date, provided that aggregate drawdowns in any calendar month shall not exceed Cdn \$2,000,000.

The Company may only initiate a drawdown under the Facility provided that, among other things: (i) the VWAP of the common shares on the TSX for the five trading days preceding the applicable drawdown date exceeds Cdn \$0.50 per common share; (ii) the market capitalization of the Company exceeds Cdn \$50,000,000; and (iii) the terms to any drawdown in the definitive agreements in respect of the Facility are satisfied. A minimum of ten trading days must pass

between the completion of one drawdown and the initiation of another, subject to waiver by the purchaser. The Facility is subject to the entering into of definitive agreements between the purchaser and the Company.

While the term sheet represents a binding obligation of both parties to enter into the facility, under current market conditions, it is not clear if definitive agreements with respect to the facility will be entered into. Should market conditions for the availability of funds under the facility improve, the Company may resume negotiation of definitive agreements.

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 \$667.5). 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.

7. OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off balance sheet arrangements for the quarter ended June 30, 2018.

8. RELATED PARTY TRANSACTIONS

There were no balances outstanding as at June 30, 2018 and June 30, 2017. During the quarter ended June 30, 2018, the Company paid \$26 (2017 - \$24) 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 June 30, 2018 (2017-\$18). During the quarter ended June 30, 2018, the Company paid \$45 (2017 - \$43) 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 is for a one year period, renewable annually unless terminated by either party. The annual fee for the consulting services is \$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 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 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).

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 \$667.5). 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 will be guaranteed by Electrovaya Corp. and 1408871 Ontario Inc., subsidiaries of the Company. The guarantee of 1408871 Ontario Inc. will be secured by a fourth charge on the Company’s property at 2645 Royal Windsor Dr., Mississauga, Ontario, L5J 1K9.

9. CRITICAL ACCOUNTING ESTIMATES

The Company’s management make judgments in it 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 the Company's September 30, 2017 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 2 of our condensed interim consolidated financial statements and their related notes for the quarter ended June 30, 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 June 30, 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 June 30, 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 June 30, 2018, the Corporation's internal control over financial reporting is effective. Also, management determined there were no material weaknesses in the Corporation's internal control over financial reporting at June 30, 2018.

The effectiveness of the Company's internal control over financial reporting as of September 30, 2017, 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 Group's capital management objectives are:

- to ensure the Group'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 Group 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 Group sets the amount of capital in proportion to its overall financing structure, comprised of equity and long term debt. The Group 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 Group issues new shares or increases its long-term debt.

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

	30-Jun-18	30-Sep-17
Total Equity(Deficiency)	\$ (11,844)	\$ (1,221)
Cash and cash equivalents	(439)	(3,402)
Capital(Deficiency)	<u>(12,283)</u>	<u>(4,623)</u>
Total Equity(Deficiency)	(11,844)	(1,221)
Promissory Note	5,851	5,429
Line of Credit	8,966	9,751
9% Convertible Debentures	10,179	10,082
Overall Financing	\$ <u>13,152</u>	\$ <u>24,041</u>
Capital to Overall financing Ratio	(0.93)	(0.19)

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, 2018	September 30, 2017
Cash and cash equivalents	\$ 439	\$ 3,402
Restricted cash	1,009	1,000
Trade and other receivables	474	784
Carrying amount	<u>\$ 1,922</u>	<u>\$ 5,186</u>

Cash equivalents are comprised of the following:

	June 30,		September	
	30,		2017	
	2018			
Cash	\$	439	\$	3,402
Cash equivalents		-		-
	\$	439	\$	3,402

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, 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 \$2,111 (2017- \$1,414), Promissory Note and loan financing of \$5,851 (2017-\$5,000) and line of credit \$8,966 (2017-\$7,777). 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 8.25%, 9%, 10%, 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 Euro. Purchases are transacted in Canadian dollars, United States dollars, Euro and Norwegian krone. 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 \$1,457 (June 30, 2018) and \$1,090 (March 31, 2018).

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, however, 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 and using 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, 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 Corporation faces are described under the heading "Risk Factors" in the Company's annual information form (AIF) for the year ended September 30, 2017.

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 annual information form for the year ended September 30, 2017, is available on SEDAR.