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ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED MARCH 31, 2021

MAY 7, 2021

ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 May 7, 2021 and it is, therefore, dated as at that date. This MD&A includes the operating and financial results for the quarters ending March 31, 2021 and 2020, and should be read in conjunction with our consolidated financial statements. It includes comments that we believe are relevant to an assessment of and understanding of the Company's consolidated results of operations and financial condition. The financial information herein is presented in thousands of US dollars unless otherwise noted (except per share amounts, which are presented in US dollars unless otherwise noted), in accordance with International Financial Reporting Standards ("IFRS"). Additional information about the Company, including Electrovaya's current annual information form, can be found on the SEDAR website for Canadian regulatory filings at www.sedar.com.

Forward-looking statements

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

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

ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. OUR BUSINESS

Electrovaya Inc. designs, develops and manufactures 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 products for energy storage.

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

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

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

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

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

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

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

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

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

2. OUR STRATEGY

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

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

To achieve these strategic objectives, we intend to:

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

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

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

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

3. RECENT DEVELOPMENTS

- In February 2021, Electrovaya announced that it submitted an initial application to list its common shares on the Nasdaq Stock Market ("NASDAQ").
- In March 2021, the Company announced the launch of its electric bus lithium ion battery systems with the delivery of a 700V, 300kWh battery. This product launch marked Electrovaya's entry into the emerging electric bus market.
- Electrovaya batteries are now powering electric lift trucks in five big box retail stores in the New York City region owned by a Fortune 100 retailer with several thousand stores. The Company continues to receive repeat orders from Fortune 500 companies as they recognize the efficiency gains provided by Electrovaya's lithium ion batteries.
- Electrovaya's US-based OEM partner for electric lift trucks has started marketing the Company's batteries into Canada, South America and Australasia, in addition to the United States. This OEM sales activity began in earnest from Q2 FY2021 after the Strategic Supply Agreement was signed in December 2020. Electrovaya has delivered its first sales into Argentina through this OEM channel, along with sales into the United States.
- Electrovaya added additional sales staff in the United States, to increase the reach of its direct sales channel.
- Research into next generation cells and batteries is ongoing in the areas of solid-state cells, electrode production and higher energy density batteries, including additional IP and patent applications.

Business Highlights and 2021 Outlook

Q2 FY2021 Business Highlights:

- Revenue increased 50% to $2.9 million (C$3.7 million), as compared to $1.9 million (C$2.4 million) in the fiscal second quarter ended March 31, 2020 ("Q2 FY2020"). Revenue for the six-month period ended March 31, 2021 ("YTD FY2021") increased 96% to $5.5 million (C$6.9 million), as compared to $2.8 million (C$3.5 million) in the six-month period ended March 31, 2020.

- EBITDA[1] was negative $0.8 million (C$1.0 million), as compared to negative $1.0 million (C$1.3 million) in Q2 FY2020.

- The Company ended the quarter with $2.5 million (C$3.1 million) in cash and had drawn $2.2 million (C$2.8 million) on its working capital facility, which has a maximum availability of $5.6 million (C$7 million).

- The Company raised proceeds of $7.8 million (C$9.8 million) in the quarter through the private placement of shares and the exercise of warrants and options, and used a portion of the proceeds to reduce the working capital facility by $1.8 million (C2.3 million), further strengthening its balance sheet.

FY2021 Financial Outlook & Impact of COVID-19:

Electrovaya is experiencing strong year-over-year sales growth. Revenue in Q2 FY2021 and YTD FY2021 grew by 50% and 96%, respectively, compared to the prior-year periods. The Company's customer base is expanding through both of its key sales channels: direct sales to end customers and OEM distribution.

Management is pleased with the progress to date and the business performance thus far in FY2021. However, due to the continued uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, management is currently unable to predict the future impacts of the pandemic on the Company's operations and financial results. Management is therefore withdrawing the financial outlook of revenue in excess of $28 million (C$37 million) for FY 2021 originally issued on November 30, 2020.

The Company instituted its financial guidance for FY 2021 based on certain identified assumptions that management believed were reasonable at the time and in the circumstances in which they were made, including that existing and new customers would continue to make and increase orders for the Company's products, and in accordance with communicated intentions, and that the Company's supply chain would continue without significant interruption. At the time that the financial outlook for FY2021 was issued, there were certain positive indications about the resolution of the COVID-19 outbreak available, and a key assumption underlying the guidance was that the impact of the pandemic would decline through the fiscal year and not materially affect customer sales or operations.

The effect of the COVID-19 outbreak and the government response in various jurisdictions has been unpredictable and rapidly evolving, with unforeseen negative operational and logistics impacts on customers, including uncertainty with respect to government-mandated openings and shutdowns of manufacturing and retail locations, and resulting impacts on customer buying patterns and requirements. Increasingly severe second and third waves of COVID-19 escalating worldwide, and slower than expected vaccine campaigns in Canada and elsewhere, have resulted in delays in customer ordering decisions and a lack of visibility as to the timing of future sales orders, and the Company's assumptions underlying the guidance have not been substantiated.

There are indications that the COVID-19 outbreak is declining, however, its impact on our customers, suppliers and employees still continues. While the Company's year-to-date revenue is generally as anticipated, based on current ordering patterns, management is uncertain as to the timing of future customer purchase orders and deliveries, which is expected to have an effect on

FY 2021 revenue as compared to the Company's announced financial outlook. A revised financial outlook for FY2021 will not be provided unless and until such a time as it is possible to make a reasonable estimate of the Company's financial results for FY2021. See "Forward-Looking Statements".

4. SELECTED QUARTERLY FINANCIAL INFORMATION

4.1 Quarterly Financial Results

Our Q2 2021 Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the IASB and accounting policies we adopted in accordance with IFRS. The Q2 2021 Interim Financial Statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at March 31, 2021 and the financial performance, comprehensive income and cash flows for the three months ended March 31, 2021.

Q2 FY2021 Financial Highlights

Quarterly Financial Summary

(Expressed in thousands of U.S. dollars)

	Three months ended March 31,		
	2021	**2020**	**% change**
Total Revenue	2,927	1,947	50%
Variable Costs	2,003	1,123	78%
Gross Margin	924	824	12%
GM%	32%	42%	
Expenses			
Research & development	1,001	1,048	-4%
Government assistance	(210)	-	-
Sales & marketing	340	157	117%
General & administrative	563	578	-3%
Stock based compensation	47	15	213%
Finance Cost	885	446	98%
Patent & trademark expenses	10	12	-17%
	2,636	2,256	17%
	(1,712)	(1,432)	20%
Depreciation	72	96	-25%
Gain (Loss) from operations	(1,784)	(1,528)	17%
Foreign exchange gain (loss)	(82)	420	-120%
Net Profit (Loss)	(1,866)	(1,108)	68%

	Three months ended March 31,		
EBITDA[1]	**2021**	**2020**	**% change**
Gain (Loss) from operations	(1,784)	(1,528)	17%
Less: Finance Cost	885	446	98%
Stock based compensation	47	15	213%
Depreciation	72	96	-25%
EBITDA[1]	(780)	(971)	-20%
EBITDA[1] %	-27%	-50%	

[1] Non-IFRS Measure: EBITDA is defined as gain (loss) from operations, plus finance costs, stock-based compensation costs and depreciation. We believe EBITDA is a useful measure in providing investors with information regarding our financial performance and is an accepted measure in our industry. It is not a measure of financial performance under IFRS, and may not be defined and calculated in the same manner by other companies and should not be considered in isolation or as an alternative to Income (loss) from operations.

Revenue

Revenue increased to $2.9 million (C$3.7 million), compared to $1.9 million (C$2.4 million) in the fiscal second quarter ended March 31, 2020 (“Q2 FY2021”). The 50% increase in year-over-year revenue reflects growing customer demand.

For the quarter ended March 31, 2021 two customers represented more than 10% of total revenue (quarter ended March 31, 2020 one customer). Our largest customer accounted for 71% and 82% of total revenue for the quarters ended March 31, 2021 and of 2020 respectively.

Direct Manufacturing Costs (variable 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 March 31, 2021, direct manufacturing costs increased by $880 to $2,003 from $1,123 for the quarter ended March 31, 2020 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 (Gross Margin)

Gross margin was $924 or 31.6% of revenue for the three months ended March 31, 2021 compared to $824 or 42.3% of revenue for the three months ended March 31, 2020. Management’s goal is to maintain gross margin in the 30% to 35% range.

Expenses

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

Research and development expenses, net of investment tax credits (ITC), decreased by $47 during the quarter ended March 31, 2021 to $1,001 from $1,048 in the same quarter in the prior year.

Government Assistance. The company applied for and received Canada Emergency Rent Subsidy (CERS) and Canada Emergency Wage Subsidy (CEWS) which were created by the Federal Government to support recovery from economic disruption associated with the COVID-19 outbreak. Company received subsequent to the quarter end $136 (CAD 175K) for CERS and $74 (CAD 96K) for CEWS which was applicable to the quarter ended March 31, 2021.

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 March 31, 2021 and 2020, sales and marketing expenses were $340 and $157 respectively. The $183 increase was primarily due to an increase in the number of sales staff, and consulting fees during the quarter ended March 31, 2021. The Company has added direct sales staff in the United States to bolster its direct sales channel and address the lead acid replacement market.

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 March 31, 2021 and 2020, general and administrative expenses were $563 and $578 respectively, a decrease of $15.

Stock based compensation. Non-cash stock-based compensation expense increased to $47 from $15 for the quarter ended March 31, 2021 compared to the same quarter in 2020.

Financing costs. For the quarters ended March 31, 2021 and 2020, financing costs were $885 and $446 respectively. The increase was due to higher cost debts and cost associated with private placement.

Patent and trademark costs. Patent and trademark expense decreased to $10 from $12 for the prior year quarter ended March 31.

Net Profit/(Loss)

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

($ thousands)	**Q1**	**Q2**	**Q3**	**Q4**
2021	$(1,844)	$(1,866)	-	-
2020	$(1,909)	$(1,108)	$4,825	$(696)
2019	$2,756	$(1,884)	$(1,226)	$(2,483)

The increase in the net loss from the second quarter of fiscal 2020 to the second quarter of fiscal 2021 was due to an increase in financing costs, an increase in cost of goods sold, an increase in sales and marketing expenses and a decrease in foreign exchange gain and interest income.

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

	Q1	**Q2**	**Q3**	**Q4**
2021	$(0.01)	$(0.02)	-	-
2020	$(0.02)	$(0.01)	$0.05	(0.01)
2019	$0.03	$(0.02)	$(0.01)	$(0.03)

5. LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2021, the Company had $2,468 in cash and cash equivalents compared to $1,124 and $98 as at September 30, 2020 and March 31, 2020 respectively.

Cash used in operating activities for continued operations was $2,911 for the six months ended March 31, 2021 compared to $2,311 used during the six months ended March 31, 2020. Net cash used in operating activities during the six months ended March 31, 2021 primarily reflects the operating loss of $3,710, offset by amortization of $142, non-cash stock-based compensation expense of $91 and non-cash financing costs of $566.

Working Capital Facilities

a) Revolving Credit Facility

As at March 31, 2021, the balance owing under the facility is $2.2 million (Cdn $2.8 million). The maximum available under the facility is $5,569 (Cdn $7 million).

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

Working Capital Facilities	March 31, 2021	September 30, 2020
Revolving credit facility	$ 2,222	$ 4,708

In December 2020 the credit agreement was amended for the third time. The amendment provided an extension of an ability to draw above the borrowing base which had been set to expire on December 31, 2020 and now expires March 31, 2021. In exchange for the additional borrowing capacity availability the company issued 129,870 shares at CDN $1.54 as compensation

In March 2021 the credit agreement was again amended for the fourth time. The amendment provided an extension of the facility to December 31, 2021. In exchange for extension, the company paid Canadian $70K as extension fee.

b) Promissory Note

The Promissory Note is for $4,773 (Cdn $6 million) and bears interest at the greater of a) 11% per annum or b) 7% per annum above the Prime Rate. The Note is repayable on demand. The promissory note will mature on June 30, 2021 but can be renewed for a further period of 6 months to December 31, 2021 by mutual consent.

	March 31, 2021	September 30, 2020
Promissory Note	$ 4,773	$ 4,503

Management Comment

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

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

It is managements view that cash, accounts receivable, inventory and credit facility are adequate to meet ongoing current obligations of the Company. It is management's intention to refinance debt or raise equity as necessary to meet obligations as they fall due.

At March 31, 2021, we had the following contractual obligations:

Year of Payment Obligation	**Debt Repayment**
2021	$ 8,173
2022	-
2023	30
2024	59
2025 & beyond	207
Total	$ 8,469

6. OUTSTANDING SHARE DATA

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

	Common Shares	
	Number	Amount
Balance, September 30, 2020	129,615,284	$86,134
Issuance of shares	3,987,701	3,222
Balance, December 31, 2020	133,602,985	$89,356
Issuance of shares	7,852,860	10,049
Balance, March 31, 2021	141,455,845	$99,405

The following table reflects the quarterly stock option activities for the period from October 01, 2020 to March 31, 2021:

	Number outstanding	Weighted average exercise price
Outstanding, September 30, 2020	10,944,603	$0.46
Cancelled or expired	(423,666)	$1.99
Exercised (note 8(a))	(281,998)	$0.33
Outstanding, December 31, 2020	10,238,939	$0.41
Exercised	(491,668)	$0.36
Outstanding, March 31, 2021	9,747,271	$0.41

The following table reflects the outstanding warrant and Broker Compensation Option activities for the period from October 1, 2020 to March 31, 2021:

Details of Share Warrants

	Number Outstanding	Exercise Price
Outstanding, September 30, 2020	17,262,679	
Exercised during the quarter ended December 31, 2020	(242,500)	$0.16
Exercised during the quarter ended December 31, 2020	(3,333,333)	$0.57
Outstanding, December 31, 2020	13,686,846	
Exercised during the quarter ended March 31, 2021	(200,000)	$1.15
Exercised during the quarter ended March 31, 2021	(4,000,000)	$1.15
Exercised during the quarter ended March 31, 2021	(416,666)	$0.16
Issued during the quarter ended March 31, 2021	1,211,113	$1.39
Outstanding, March 31, 2021	10,281,293	

Details of Compensation Options to Brokers

	Number Outstanding	Exercise Price
Outstanding, September 30, 2020 & December 31, 2020	322,304	$1.15
Exercised during the quarter ended March 31, 2021	(322,304)	$1.15
Issued during the quarter ended March 31, 2021	145,333	$1.39
	145,333	

As of March 31, 2021, the Company had 141,455,845 common shares outstanding, 9,747,271 options to purchase common shares outstanding, 145,333 compensation options outstanding and 10,281,293 warrants to purchase common shares outstanding.

7. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the quarter ended March 31, 2021.

8. RELATED PARTY TRANSACTIONS

There is an outstanding payable balance of $18 with Chief Executive Officer and controlling shareholder of Electrovaya Inc. relating to raising of capital on behalf of the Company, as at March 31, 2021 (2020-$18).

9. CRITICAL ACCOUNTING ESTIMATES

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

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

10. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

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

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 March 31, 2021.

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 March 31, 2021, 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 March 31, 2021, 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 March 31, 2021.

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

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-Mar-21	30-Sep-20
Total Equity(deficiency)	$ (1,944)	$ (8,715)
Cash and cash equivalents	(2,468)	(1,124)
Capital	(4,412)	(9,839)
Total Equity(deficiency)	(1,944)	(8,715)
Promissory Note	4,773	4,503

Short-term loan		698		749
Working capital facility		2,222		4,708
Other Long-term liabilities		3,322		2,906
Overall Financing	$	9,071	$	4,151
Capital to Overall financing Ratio		-0.55		-2.37

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:

		March 31, 2021		September 30, 2020
Cash and cash equivalents	$	2,468	$	1,124
Trade and other receivables		2,443		2,491
Carrying amount	$	4,911	$	3,615

Cash equivalents are comprised of the following:

		March 31, 2021		September 30, 2020
Cash	$	2,468	$	1,124
Cash equivalents		-		-
	$	2,468	$	1,124

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 March 31, 2021 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 $2,408 (2020- $2,710), Promissory Note and short-term loan financing of $5,471 (2020-$1,188), working capital facilities $2,222 (2020-$4,921), relief and recovery fund payable of $302 (2020-NIL) and other payables of $172 (2020-$144). Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages its liquidity risk by carefully monitoring the cash requirements and balancing them against the cash received from operations and government grants.

Market risk

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

Interest rate risk

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

Foreign currency risk

The Company is exposed to foreign currency risk. The Company's functional currency is the Canadian dollar and a majority of its revenue is derived in US dollars. Purchases are transacted in Canadian dollars, United States dollars and Euro. Management believes the foreign exchange risk derived from any currency conversions may have a material effect on the results of its operations. The financial instruments impacted by a change in exchange rates include our exposures to the above financial assets or liabilities denominated in non-functional currencies. . Cash held by the Company in US dollars at March 31, 2021 was $373 (December 31, 2020 - $107).

If the US dollar to Canadian foreign exchange rate changed by 2% this would change the recorded Net gain by $72.

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 March 31, 2021.

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.

COVID-19 based risks

The Company’s customers include large global firms in industries such as grocery, logistics, manufacturing and e-commerce that are continuing to provide critical services during this difficult period. The crisis has highlighted Electrovaya’s important role in helping its customers execute mission-critical applications under highly challenging conditions. COVID-19 continues to disturb the Company’s supply chain from many of its global vendors, with resultant delays in delivery of the Company’s products to its customers and associated cost increases. The Company also believes customer ordering patterns or expectations with respect to acquiring the Company’s prodcuts may have been disrupted given the impact of extended government-mandated lockdowns and shutdowns in our customer’s industrial and retail spaces and its resultant effect on retail sales, and the spread of COVID-19 in workplaces. The impact of COVID-19 on the Company in FY2021, both operationally and with respect to financial performance, is uncertain.

Electrovaya considers the health and safety of its employees and other stakeholders to be of the highest priority. To mitigate any potential workplace transmission of COVID-19, the Company has implemented COVID protocols as recommended by the Federal and Provincial Governments and health officials.

Other Risk Factors.

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

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

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