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ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2020

FEBRUARY 9, 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 February 9, 2021 and it is, therefore, dated as at that date. This MD&A includes the operating and financial results for the quarters ending December 31, 2020 and 2019, and should be read in conjunction with our consolidated financial statements. It includes comments that we believe are relevant to an assessment of and understanding of the Company's consolidated results of operations and financial condition. The financial information herein is presented in thousands of US dollars unless otherwise noted (except per share amounts, which are presented in US dollars unless otherwise noted), in accordance with International Financial Reporting Standards ("IFRS"). Additional information about the Company, including Electrovaya's current annual information form, can be found on the SEDAR website for Canadian regulatory filings at www.sedar.com.

Forward-looking statements

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

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

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

ELECTROVAYA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. OUR BUSINESS

Electrovaya Inc. designs, develops and manufactures 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.

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

2. OUR STRATEGY

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

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

In December 2020 the Company announced that it had completed a Strategic Supply Agreement for the supply of battery systems for Raymond's Energy Essentials Battery line. The agreement provides Raymond with exclusively distributed Raymond branded lithium-ion batteries that are UL 2580 Listed and compatible with most class I, II and III Raymond lift trucks. The battery systems utilize the latest Electrovaya's NMC Ceramic lithium-ion battery technologies and provide a full integration with the Raymond vehicles.

In January 2021 the Company announced it had completed private placement for gross proceeds of $2.6 million (C$3.3 million). Also in January 2021, warrants and Compensation options were exercised for total proceeds of $3.8 million (C$4.8 million). The total gross proceeds raised from these transactions was $6.4 million (C$8.1 million) of which $1.8 million (C$2.3 million) was used to make a voluntary payment to reduce the outstanding balance of the revolving credit facility with the remaining $4.6 million (C$5.8 million) to be used for general corporate purposes.

3.2 Business Highlights and 2021 Outlook

Q1 FY2021 Business Highlights:

- The Company is preparing its application for listing at a major U.S. stock exchange and, as part of the process, is asking shareholders at the AGM to vote in favor of a motion to allow a consolidation of its Common shares.

- The Company's UL2580 listing has been received across more than 25 different battery models, an important safety milestone

- First product deliveries completed to a major U.S. big box retailer in January under the Raymond Strategic Supply Agreement

- Increased investment in R&D and strengthening of the Company's patent position.

- Investment in process, production and scale-up equipment electrode and cell-making to facilitate expanded work on its proprietary and patented unique non-NMP electrode production process and work on ancillary areas.

The Company is planning to have its Annual and Special Meeting of Shareholders (the "Meeting") on February 17, 2021 at 4:00 p.m. Eastern Time. Because of Covid restrictions, the AGM will be held virtually.

The Company is asking for shareholder authorization at the Meeting, for a capability to consolidate its Common Shares, if and as needed. The Company's Board of Directors is interested in a listing on a major United States stock exchange, which could expand Electrovaya's shareholder base, increase financing opportunities, and increase liquidity of the Common Shares. A potential consolidation, if needed, enables the Company to meet the minimum share price requirements for listing on a major U.S. exchange. The Company has not yet made any application for listing and there is no certainty or any assurance whatsoever that such an application will be made and no assurance that any such major U.S. stock listing will occur. For more detail on this proposal, please view the Management Information Circular filed on SEDAR.

In November 2020, Electrovaya announced that it received UL2580 ("Underwriters Laboratories" or "UL") listing across its line of 24V and 36V forklift batteries. The safety certification covers more than 25 different models and is a key milestone for the Company. This UL certification shows the Company's continued commitment to safety and quality and also increases its sales reach as this UL listing provides a significant competitive advantage. The Company's R&D and Engineering teams were responsible for achieving this UL listing, which also leverages some of the key safety technologies that Electrovaya owns, including critical cell and systems IP.

In December 2020, the Company announced that it completed a Strategic Supply Agreement for the supply of battery systems for Raymond's Energy Essentials Battery line. The agreement provides Raymond with exclusively distributed, Raymond-branded lithium ion batteries that are UL 2580 listed and compatible with most class I, II and III Raymond lift trucks. The battery systems utilize the latest Electrovaya NMC Ceramic lithium-ion battery technologies and provide a full integration with Raymond vehicles. The batteries are featured prominently on Raymond's website, and Electrovaya made its first delivery under the agreement to a major U.S. big box retailer in January.

The Company doubled its R&D expenditures in Q1 FY2021 when compared to Q1 FY2020. The Company added more staff with the focus on areas of cell chemistry, solid state cells, system design, electronic firmware and software.

The Company is planning to increase its patent position in solid-state lithium ion batteries, fast charging and other areas. The emphasis on patents is being enhanced with a new patent agent with a strong background in lithium ion batteries.

The Company continues to explore exciting new developments, including cell manufacturing in North America utilizing its unique non-NMP manufacturing process, and further developing new product lines including new batteries for the e-bus market.

In January, the Company purchased a large amount of cell assembly equipment from an erstwhile lithium ion battery facility in Michigan. These capital expenditures will assist in the expansion of production and localization of key components.

Positive Financial Outlook:

- Additional sales personnel added to our direct sales team and growing momentum through OEM sales network.

- UL2580 listing provides safety validation and unique competitive advantage.

- Well positioned with working capital for growth from recent equity issues and strengthened balance sheet.

- Company reiterates previously issued guidance.

Electrovaya is experiencing strong and growing customer demand for its battery products through both of its key sales channels: direct sales to end customers and OEM distribution.

The Company has added direct sales staff in the United States to bolster its direct sales channel and address the lead acid replacement market. The Company also anticipates growing demand from its OEM sales channel especially with the recent Raymond Strategic Supply Agreement. Raymond Corp is now extensively marketing and promoting Raymond's lithium ion batteries through the firm's sales network.

The Company continues to have a positive outlook for 2021. Although the year has started with some sales delays as described above, management anticipates meeting its previously released guidance. See "Forward-Looking Statements".

Impact of COVID-19 Pandemic:

Electrovaya is an essential business and has operated without major interruption during the COVID-19 pandemic to date. The Company's customers include large global firms in industries such as grocery, logistics and e-commerce that are continuing to provide critical services during this difficult period. The crisis has highlighted Electrovaya's important role in helping its customers execute mission-critical applications under highly challenging conditions. COVID-19 did disturb the Company's supply chain from many of its global vendors, with resultant delays in delivery of the Company's products to its customers and associated cost increases.

Electrovaya considers the health and safety of its employees and other stakeholders to be of the highest priority. To mitigate any potential spread of COVID-19, the Company has implemented a number of common-sense initiatives at its headquarters, including increased sanitization of frequently touched surfaces, use of masks, portable air purifiers and social distancing; the Company's air handling systems are continuously flooded with ultra violet disinfecting lamps.

4. SELECTED QUARTERLY FINANCIAL INFORMATION

4.1 Quarterly Financial Results

Our Q1 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 Q1 2020 Interim Financial Statements reflect all adjustments that are, in the opinion of management, necessary to present fairly our financial position as at December 31, 2020 and the financial performance, comprehensive income and cash flows for the three months ended December 31, 2020.

Q1 FY2021 Financial Highlights

- Revenue increased to $2.6 million (C$3.3 million), compared to $0.9 million (C$1.1 million) in the fiscal first quarter ended December 31, 2019 (“Q1 FY2020”). The year-over-year revenue growth reflects growing customer demand.

- EBITDA1 was negative $0.8 million (C$1.0 million), compared to negative $0.9 million (C$1.1 million) in Q1 FY2020. Q1 FY2021 EBITDA1 included a $0.5 million (C$0.6 million) increase in R&D expenditures as the Company added more staff along with an increased focus on areas of cell chemistry, solid state cells, system design, electronic firmware and software.

- Subsequent to quarter end the Company raised $6.4 million (C$8.1 million) through a private placement of common shares and the exercise of warrants and Compensation options. A portion of the gross proceeds was used to reduce the outstanding revolving facility by $1.8 million (C$2.3 million), significantly strengthening the balance sheet.

Electrovaya has not historically experienced seasonality in its business. In recent periods, however, revenue has been relatively low in the fiscal first quarter, which reflects customers’ preference to defer product delivery past the holiday season and into the New Year. This is due to an increasing e-commerce demand and the need to minimize changes or disruptions at high-volume distribution centers. Seasonality has also increased due to the impact of COVID-19 on the general consumer community as a result of a shift from in-person to online shopping, increasing the activity at distribution centres.

The transition from the Raymond Sales Agreement to the Raymond Strategic Supply Agreement also caused some operational delay in shipments, as the new sales support systems was not fully in place until January 2021. This delay in shipment is reflected by the increase in inventory of $2.4 million (C$3.0 million), some of it being finished goods, and decrease in accounts receivable of $1.1 million (C$1.4 million) at December 31, 2020 as compared the September 30, 2020 balances.

In January 2021, the Company announced that it completed a private placement for gross proceeds of $2.6 million (C$3.3 million). Also in January 2021, warrants and compensation options were exercised for total proceeds of $3.8 million (C$4.8 million). The total gross proceeds raised from these transactions were $6.4 million (C$8.1 million), of which $1.8 million (C$2.3 million) was used to make a voluntary payment to reduce the outstanding balance of the revolving credit facility with the remaining $4.6 million (C$5.8 million) to be used for general corporate purposes.

Quarterly Financial Summary

(Expressed in thousands of U.S. dollars)

	Three months ended December 31,		
	2020	2019	% change
Total Revenue	2,583	861	200%
Variable Costs	1,762	541	226%
Gross Margin	821	320	157%
GM%	32%	37%	
Expenses			
Research & development	906	404	124%
Sales & marketing	262	230	14%
General & administrative	539	502	7%
Stock based compensation	44	43	2%
Finance Cost	516	896	-42%
Patent & trademark expenses	11	8	38%
	2,278	2,083	9%
	(1,457)	(1,763)	-17%
Depreciation	70	2	3400%
Gain (Loss) from operations	(1,527)	(1,765)	-13%
Foreign exchange gain (loss)	(317)	(144)	120%
Net Profit (Loss)	(1,844)	(1,909)	-3%

Key performance indicators

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

(Expressed in thousands of U.S. dollars)

		Three months ended December 31,		
EBITDA[1]		2020	2019	% change
Gain (Loss) from operations		(1,527)	(1,765)	-13%
Less:	Finance Cost	516	896	-42%
	Stock based compensation	44	43	2%
	Depreciation	70	2	3400%
	EBITDA[1]	(897)	(824)	9%
	EBITDA[1] %	-35%	-96%	

[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

For the three months period December 31, 2020, total revenue increased to $2,583 from $861 for the quarter ended December 31, 2019. The $1,722 or 200% increase in revenue resulted from higher order volume for large format batteries during the quarter ended December 31, 2020.

For the quarter ended December 31, 2020 two customers represented more than 10% of total revenue (quarter ended December 31, 2019 - three customers). Our largest customer accounted for 78% and 63% of total revenue for the quarters ended December 31, 2020 and of 2019 respectively.

Electrovaya has not historically experienced seasonality in its business. In recent periods, however, revenue has been relatively low in the fiscal first quarter, which reflects customers' preference to defer product delivery past the holiday season and into the New Year. This is due to an increasing e-commerce demand and the need to minimize changes or disruptions at high-volume distribution centers. Seasonality has also increased due to the impact of COVID-19 on the general consumer community as a result of a shift from in-person to online shopping, increasing the activity at distribution centres.

The transition from the Raymond Sales Agreement to the Raymond Strategic Supply Agreement also caused some operational delay in shipments, as the new sales support systems was not fully in place until January 2021. This delay in shipment is reflected by the increase in inventory of $2.4 million (C$3.0 million), some of it being finished goods, and decrease in accounts receivable of $1.1 million (C$1.4 million) at December 31, 2020 as compared the September 30, 2020 balances.

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 December 31, 2020, direct manufacturing costs increased by $1,221 to $1,762 from $541 for the quarter ended December 31, 2019 primarily due to higher costs associated with increased revenue during the current quarter as compared to the same quarter prior year.

Revenue less Direct Manufacturing Costs (Gross Margin)

Gross margin was a profit of $821 or 31.8% of revenue for the three months ended December 31, 2020 compared to a profit of $320 or 37.2% of revenue for the three months ended December 31, 2019. 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), increased by $502 during the quarter ended December 31, 2020 to $906 from $404 in the same quarter in the prior year.

The Company doubled its R&D expenditures in Q1 FY2021 when compared to Q1 FY2020. The Company added more staff with the focus on areas of cell chemistry, solid state cells, system design, electronic firmware and software.

The Company is planning to increase its patent position in solid-state lithium ion batteries, fast charging and other areas. The emphasis on patents is being enhanced with a new patent agent with a strong background in lithium ion batteries

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

For the quarters ended December 31, 2020 and 2019, sales and marketing expenses were $262 and $230 respectively. The $32 or 13.9% increase was primarily due to an increase in the travel expense during the quarter ended December 31, 2020.

The Company has added direct sales staff in the United States to bolster its direct sales channel and address the lead acid replacement market. The Company also anticipates growing demand from its OEM sales channel especially with the recent Raymond Strategic Supply Agreement. Raymond Corp is now extensively marketing and promoting Raymond's lithium ion batteries through the firm's sales network.

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

For the quarters ended December 31, 2020 and 2019, general and administrative expenses were $539 and $502 respectively. The $37 or 7.4% increase was primarily due to higher costs in premise rental in Q1 2021.

Stock based compensation. Non-cash stock-based compensation expense increased by $1 to $44 for the quarter ended December 31, 2020 compared to the same quarter in 2019.

Financing costs. For the quarters ended December 31, 2020 and 2019, financing costs were $516 and $896 respectively. The decrease was due to a reduction in debt comprised of Debentures, working capital facilities and notes from $15.3 million at December 31, 2019 to $9.6 million at December 31, 2020 or a reduction of 37%.

In January 2021, the Company announced that it completed a private placement for gross proceeds of $2.6 million (C$3.3 million). Also in January 2021, warrants and compensation options were exercised for total proceeds of $3.8 million (C$4.8 million). The total gross proceeds raised from these transactions were $6.4 million (C$8.1 million), of which $1.8 million (C$2.3 million) was used to make a voluntary payment to reduce the outstanding balance of the revolving credit facility with the remaining $4.6 million (C$5.8 million) to be used for general corporate purposes.

Patent and trademark costs. Patent and trademark expense increased from $8 in the same quarter in the prior year to $11 for the quarter ended December 31, 2020.

Net Profit/(Loss)

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

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

The decrease in the net loss from the first quarter of fiscal 2020 to the first quarter of fiscal 2021 was due to an increase in revenue, a decrease in financing costs offset by an increase in cost of goods sold, an increase in research and development costs, an increase in general and administration cost, an increase in stock based compensation expense, an increase in sales and marketing expenses, a decrease in foreign exchange gain and interest income, an increase in patent and trademark expenses and an increase in amortization costs.

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

	Q1	**Q2**	**Q3**	**Q4**
2021	$(0.01)	-	-	-
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 December 31, 2020, the Company had $316 in cash and cash equivalents compared to $1,124 and $560 as at September 30, 2020 and December 31, 2019 respectively.

Cash used in operating activities for continued operations was $2,430 for the quarter ended December 31, 2020 compared to $1,778 used during the quarter ended December 31, 2019. Net cash used in operating activities during the quarter ended December 31, 2020 primarily reflects the operating loss of $1,844, a decrease in non-cash operating working capital of $700 offset by an increase in non-cash stock-based compensation expense of $44 and amortization of $70.

Subsequent to the December 31, 2020 quarter end, in January 2021 the Company increased liquidity by approximately CDN $8 million through a private placement of common shares and warrants for gross proceeds of CDN $3.27 million and through the exercise of warrants and Compensation options for total proceeds of CDN $4.82 million.

In February 2021, the Company made a voluntary payment to reduce the outstanding balance of the revolving credit facility by making a payment of approximately CDN $2.3 million which was applied to principal reduction.

Working Capital Facilities

a) Revolving Credit Facility

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	December 31, 2020	September 30, 2020
Revolving credit facility	$ 3,979	$ 4,708
	$ 3,979	$ 4,708

b) Promissory Note

The Promissory Note 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 the earlier of (a) June 30, 2021 or (b) with a renewal for a further period of 6 months to Dec 31, 2021 by mutual consent.

	December 31, 2020	September 30, 2020
Promissory Note	$ 4,705	$ 4,503

Management Comment

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

The Company has significantly improved 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.

At December 31, 2020, we had the following contractual obligations:

Year of Payment Obligation	**Debt Repayment**
2021	$ 9,610
2022	-
2023	23
2024	47
2025 & beyond	163
Total	$ 9,843

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

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

	Number outstanding	Weighted average exercise price
Outstanding, September 30, 2020	10,944,603	$0.46
Cancelled or expired	(423,666)	$1.99
Exercised	(281,998)	$0.33
Outstanding, December 31, 2020	10,238,939	$0.41

The following table reflects the outstanding warrant activities for the period from October 1, 2020 to December 31, 2020:

	Number Outstanding	Exercise Price
Outstanding, September 30, 2020	17,262,679	
Exercised during the quarter ended Dec 31, 2020	(242,500)	$0.16
Exercised during the quarter ended Dec 31, 2020	(3,333,333)	$0.57
Outstanding, Dec 31, 2020	13,686,846	

As of December 31, 2020, the Company had 133,602,985 common shares outstanding, 10,238,939 options to purchase common shares outstanding, 322,304 compensation options outstanding and 13,686,846 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 December 31, 2020.

8. RELATED PARTY TRANSACTIONS

There were no balances outstanding as at December 31, 2020 and December 31, 2019.

During the quarter ended December 31, 2020, the Company paid $37 (2019 - $31) to a director of Electrovaya Corp for services rendered in his capacity as an executive officer of Electrovaya Inc. These amounts, which are recorded at their exchange amount, have been expensed in General and Administrative.

There is an outstanding payable balance of $18 relating to raising of capital on behalf of the Company, as at December 31, 2020 (2019-$18). During the quarter ended December 31, 2020, the Company paid $52 (2019 - $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.

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 December 31, 2020.

13. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting at December 31, 2020, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission as published in 2013. Based on this evaluation, management believes, at December 31, 2020, the Company's internal control over financial reporting is effective. Also, management determined there were no material weaknesses in the Company's internal control over financial reporting at December 31, 2020.

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

14. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT RISKS AND UNCERTAINTIES

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

Capital risk

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

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

The Company's capital management objectives are:

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

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

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

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

		31-Dec-20		30-Sep-20
Total (Deficiency)	$	(8,550)	$	(8,715)
Cash and cash equivalents		(316)		(1,124)
(Deficiency)		(8,866)		(9,839)
Total (Deficiency)		(8,550)		(8,715)
Promissory Notes		4,705		4,503
Short term loans		688		749
Working capital facilities		3,979		4,708
Non-current liabilities		3,252		2,906
Overall Financing	$	4,074	$	4,151
Capital to Overall financing Ratio		2.18		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:

		December 31, 2020		September 30, 2020
Cash and cash equivalents	$	316	$	1,124
Restricted cash		-		-
Trade and other receivables		1,399		2,491
Carrying amount	$	1,715	$	3,615

Cash equivalents are comprised of the following:

		December 31, 2020		September 30, 2020
Cash	$	316	$	1,124
Cash equivalents		-		-
	$	316	$	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 December 31, 2020 a rating of R-1 mid or above.

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

Liquidity risk

The Company is exposed to liquidity risk from trade and other payables in the amount of $3,807 (2019- $2,393), Promissory Note and loan financing of $5,393 (2019-$770), working capital facilities $3,979 (2019-$3,113), relief and recovery fund payable of $238 (2019-NIL) and other payables of $171 (2019-$160). Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages its liquidity risk by carefully monitoring the cash requirements and balancing them against the cash received from operations and government grants.

Market risk

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

Interest rate risk

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

Foreign currency risk

The Company is exposed to foreign currency risk. The Company’s functional currency is the Canadian dollar and a majority of its revenue is derived in US dollars. Purchases are transacted in Canadian dollars, United States dollars and Euro. Management believes the foreign exchange risk derived from any currency conversions may have a material effect on the results of its operations. The financial instruments impacted by a change in exchange rates include our exposures to the above financial assets or liabilities denominated in non-functional currencies. The cash and cash equivalent in US dollars were $107 (December 31, 2020) and $55 (September 30, 2020).

If the US dollar to Canadian foreign exchange rate changed by 2% this would change the recorded net gain by $33.

Price risk

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

Disclosure control risks

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

Internal control risks

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

Based on the evaluation of the design and operating effectiveness of the Company’s ICFR, the CEO and CFO concluded that the company’s ICFR was effective as at December 31, 2020.

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

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

COVID-19 based risks

Electrovaya is an essential business and has operated without major interruption during the COVID-19 pandemic to date. The Company's customers include large global firms in industries such as grocery, logistics and e-commerce that are continuing to provide critical services during this difficult period. The crisis has highlighted Electrovaya's important role in helping its customers execute mission-critical applications under highly challenging conditions. COVID-19 did disturb the Company's supply chain from many of its global vendors, with resultant delays in delivery of the Company's products to its customers and associated cost increases.

Electrovaya considers the health and safety of its employees and other stakeholders to be of the highest priority. To mitigate any potential spread of COVID-19, the Company has implemented a number of common-sense initiatives at its headquarters, including increased sanitization of frequently touched surfaces, use of masks, portable air purifiers and social distancing; the Company's air handling systems are continuously flooded with ultra violet disinfecting lamps.

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.