ELECTROVAYA INC.

Condensed Interim Consolidated Statement of Financial Position
(Expressed in thousands of U.S. dollars)
(Unaudited)

As at	June 30, 2022	September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 955	$ 4,202
Trade and other receivables (note 4)	2,984	1,341
Inventories (note 5)	5,092	4,666
Prepaid expenses and other (note 6)	4,985	1,819
Total current assets	14,016	12,028
Non-current assets		
Property, plant and equipment	2,556	2,870
Long-term deposit	94	79
Total non-current assets	2,650	2,949
Total assets	$ 16,666	$ 14,977
Liabilities and Equity		
Current liabilities		
Trade and other payables (note 7)	$ 2,673	$ 3,248
Working capital facilities (note 8(a))	10,855	3,277
Promissory notes (note 8(b))	4,662	4,734
Deferred grant income	274	104
Deferred revenue (note 16)	269	900
Short term loans (note 10)	622	631
Lease inducement	146	-
Other payables	187	419
Lease liability – current portion	165	140
Total current liabilities	19,853	13,453
Non-current liabilities		
Lease liability – non-current portion	2,435	2,603
Relief and recovery fund payable (note 12)	295	300
Other payables	181	169
Lease inducement	-	148
Total non-current liabilities	2,911	3,220
Equity (Deficiency)		
Share capital (note 9)	103,266	102,498
Contributed surplus	5,575	4,903
Warrants (note 9)	4,687	4,687
Accumulated other comprehensive gain	13,369	13,344
Deficit	(132,995)	(127,128)
Total (Deficiency)	(6,098)	(1,696)
Total liabilities and equity(deficiency)	$ 16,666	$ 14,977

See accompanying notes to unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with annual audited consolidated financial statements for the year ended September 30, 2021

ELECTROVAYA INC.

Condensed Interim Consolidated Statement of Operations
(Expressed in thousands of U.S. dollars, except per share amounts)
Nine-month periods ended June 30, 2022 and 2021
(Unaudited)

	Three months ended June 30, 2022	Three months ended June 30, 2021	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Revenue (note 16)	$ 4,305	1,918	$ 9,845	7,428
Direct manufacturing costs (note 5(b))	3,218	1,203	7,310	4,968
Gross margin	1,087	715	2,535	2,460
Expenses				
Research and development	944	1,007	2,910	2,914
Government assistance (note 13)	(226)	(354)	(352)	(564)
Sales and marketing	290	332	959	934
General and administrative	669	942	1,984	2,044
Stock based compensation	378	42	699	133
Finance cost (note 8 and 10)	622	364	1,890	1,765
Patents and trademark expenses	24	10	61	31
	2,701	2,343	8,151	7,257
Income(loss) before the undernoted	(1,614)	(1,628)	(5,616)	(4,797)
Amortization	100	74	301	216
Income(Loss) from operations	(1,714)	(1,702)	(5,917)	(5,013)
Foreign exchange gain(loss) and interest income	253	(90)	50	(489)
Net income(loss) for the period	(1,461)	(1,792)	(5,867)	(5,502)
Basic income(loss) per share	$ (0.01)	(0.01)	$ (0.04)	(0.04)
Diluted income(loss) per share	$ (0.01)	(0.01)	$ (0.04)	(0.04)
Weighted average number of shares outstanding, basic and fully diluted	146,995,152	142,505,469	146,566,833	138,518,993

See accompanying notes to unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2021.

ELECTROVAYA INC.

Condensed Interim Consolidated Statement of Comprehensive Income(Loss)
(Expressed in thousands of U.S. dollars)
Nine-month periods ended June 30, 2022 and 2021
(Unaudited)

	Three months ended June 30, 2022	Three months ended June 30, 2021	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Net loss for the period	$ (1,461)	(1,792)	$ (5,867)	(5,502)
Currency translation differences	17	65	25	15
Total comprehensive loss for the period	$ (1,444)	(1,727)	$ (5,842)	(5,487)

See accompanying notes to unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2021.

ELECTROVAYA INC.

Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in thousands of U.S. dollars)
Nine-month periods ended June 30, 2022 and 2021
(Unaudited)

	Share Capital	Contributed Surplus	Deficit	Warrants	Accumulated other Comprehensive gain	Total
Balance – October 01, 2020	**$86,134**	**$4,561**	**$(119,522)**	**$6,760**	**$13,352**	**$(8,715)**
Stock-based compensation	-	133	-	-	-	**133**
Issue of shares	13,467	-	-	(2,654)	-	**10,813**
Net loss for the period	-	-	(5,502)	-	-	**(5,502)**
Currency translation differences	157	(199)	(72)	-	15	**(99)**
Balance–June 30, 2021	**$99,758**	**$4,495**	**$(125,096)**	**$4,106**	**$13,367**	**$(3,370)**
Balance – October 01, 2021	**$102,498**	**$4,903**	**$(127,128)**	**$4,687**	**$13,344**	**$(1,696)**
Stock-based compensation	-	699	-	-	-	**699**
Issue of shares	768	-	-	-	-	**768**
Net loss for the period	-	-	(5,867)	-	-	**(5,867)**
Currency translation differences	-	(27)	-	-	25	**(2)**
Balance–June 30, 2022	**$103,266**	**$5,575**	**$(132,995)**	**$4,687**	**$13,369**	**$(6,098)**

See accompanying notes to unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2021.

ELECTROVAYA INC.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Nine-month periods ended June 30, 2022 and 2021
(Unaudited)

	June 30, 2022	June 30, 2021
Cash and cash equivalents provided by (used in)		
Operating activities		
Net income(loss) for the period	$(5,867)	$(5,502)
Items not involving cash:		
Amortization	301	216
Stock based compensation expense	699	133
Financing costs	-	575
Cash provided by (used in) operating activities	(4,867)	(4,578)
Net changes in working capital (note 11)	(6,503)	(3,893)
Cash from (used in) operating activities	(11,370)	(8,471)
Investing activities		
Purchase of property, plant and equipment	(27)	(557)
Cash (used in) investing activities	(27)	(557)
Financing activities		
Issue of shares	741	10,199
Change in loan payable	7,743	(2,020)
Change in other payables	-	-
Change in non-current liabilities	(269)	-
Change in long-term deposit	(17)	-
Payment of lease liability (interest portion)	(279)	(292)
Payment of lease liability (principal portion)	(102)	(79)
Cash from/(used in) financing activities	7,817	7,808
Increase (Decrease) in cash and cash equivalents	(3,580)	(1,220)
Exchange difference	333	981
Cash and cash equivalents, beginning of period	4,202	1,124
Cash and cash equivalents at end of period	$ 955	$ 885
Supplemental cash flow disclosures:		
Income tax paid	$ -	$ -
Interest paid	$ 1,747	$ 1,052

See accompanying notes to unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2021.

1. Reporting Entity

Electrovaya Inc. (the “Company”) is domiciled in Ontario, Canada, and is incorporated under the Business Corporations Act (Ontario). The Company’s registered office is at 6688 Kitimat Road, Mississauga, Ontario, L5N 1P8 Canada. The Company’s common shares trade on the Toronto Stock Exchange under the symbol EFL and on the OTCQB under the symbol EFLVF. The Company has no immediate or ultimate controlling parent.

These unaudited condensed interim consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in the design, development and manufacturing of Lithium-Ion batteries, battery systems and battery-related products for energy storage, clean electric transportation and other specialized applications.

2. Basis of Presentation

a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared based on the principles of International Accounting Standard 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board ("IASB").The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s September 30, 2021 audited annual consolidated financial statements and accompanying notes.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Company’s Board of Directors on August 11, 2022.

b) Basis of Accounting

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business.

c) Functional and Presentation Currency

These unaudited condensed interim consolidated financial statements are presented in U.S. dollars and have been rounded to the nearest thousands, except per share amounts and when otherwise indicated. The functional currency of the Company is the Canadian dollar and the functional currencies of the Group’s subsidiaries include Canadian dollars and US dollars.

d) Use of Judgements and Estimates.

The preparation of the unaudited condensed interim consolidated financial statements are in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and related disclosures with respect to contingent assets and liabilities.

Management base their judgments, estimates and assumptions on current facts, historical experience and various other factors that they believe are reasonable under the circumstances. The economic environment could also impact certain estimates and discount rates necessary to prepare our consolidated financial statements, including significant estimates and discount rates applicable to the determination of the recoverable amounts used in our impairment testing of our non-financial assets. Management's assessment of these factors forms the basis for their judgments on the carrying values of assets and liabilities, and the accrual of our costs and expenses. Actual results could differ materially from our estimates and assumptions. Management reviews the estimates and underlying assumptions on an ongoing basis and make revisions as determined necessary. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well.

e) Seasonality and impact of COVID-19

The Company has not historically experienced seasonality in its business. In recent periods, however, revenue has decreased in the first quarter of the year which reflects the customers' preference to defer our product delivery past the seasonal holidays and into the new year due to an increasing e-commerce demand and need to minimize changes or disruptions at high volume distribution centres. This seasonality has also been increased due to the impact of the COVID-19 on the general consumer community, as online shopping increases and distribution centres deal with higher than normal volumes. Furthermore, while demand for lithium-ion batteries from the materials handling electric vehicle sector is emerging, the sales cycle and customer purchasing patterns are highly variable making quarter to quarter predictions difficult.

f) Significant Accounting Policies

The accounting policies in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended September 30, 2021.

3. Standards issued but not yet effective

At the date of authorization of these unaudited condensed interim consolidated financial statements certain new standards, amendments and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Company.

Management anticipates that the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. The new standards and interpretations that have been issued are not expected to have a material impact of the Company's unaudited condensed interim consolidated financial statements.

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

4. Trade and Other Receivables

	June 30, 2022	September 30, 2021
Trade receivables, gross	$ 2,422	$ 958
Allowance for credit losses	(49)	-
Trade receivables	2,373	958
Other receivables	611	383
Trade and other receivables	$2,984	$1,341

As at June 30, 2022, 2.6% of the Company's accounts receivable is over 90 days past due (September 30, 2021 - 9.3%)

All of the Company's trade and other receivables have been reviewed for indicators of impairment.

The movement in the allowance for credit losses can be reconciled as follows:

	June 30 2022	September 30, 2021
Beginning balance	$ -	$ -
Impairment loss	-	-
Allowance provided (reversed)	49	-
Exchange translation	-	-
Ending balance	$ 49	$ -

5. Inventories

(a) Total inventories on hand as at June 30, 2022 and September 30, 2021 are as follows:

	June 30, 2022	September 30, 2021
Raw materials	$ 4,455	$ 4,182
Semi-finished	451	325
Finished goods	186	159
	$ 5,092	$ 4,666

(b) At the quarters ended June 30, 2022 and 2021, the following inventory revaluations and obsolescence provisions were included in direct manufacturing costs:

	June 30, 2022	June 30, 2021
Provision(recovery) for obsolescence	$ -	$ -

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

6. Prepaid expenses and other

As of June 30, 2022 and September 30, 2021 the prepaid balance are as follows:

		June 30, 2022		September 30, 2021
Prepaid expenses	$	4,985	$	1,819
Other		-		-
	$	4,985	$	1,819

Prepaid expenses are comprised of vendor deposits on inventory orders for the future requisition of inventories, insurance premium and current deposits.

7. Trade and Other Payable

Trade and Other Payables as at June 30, 2022 and September 30, 2021 are as follows:

		June 30, 2022		September 30, 2021
Trade Payables	$	1,705	$	1,658
Accruals		674		1,392
Other Payables		294		198
	$	2,673	$	3,248

8. Working Capital Facilities

a) Revolving Credit Facility

As at June 30, 2022, the balance owing under the facility is $10.86 million (Cdn $13.97 million). The maximum available under the facility is $10.88 million (Cdn $14 million) leaving a further $0.02 million (Cdn $0.03 million) available for drawing.

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.

	June 30 2022	September 30, 2021
Revolving credit facility	$ 10,855	$ 3,277

On December 17, 2021, the credit agreement was amended to extend the maturity from December 31, 2021 to December 31, 2022. All other terms and conditions are unchanged. In exchange for extension, the Company paid Canadian $70K as extension fee. On February 23, 2022, the credit agreement was again amended to increase the credit facility from C$7 million to C$11 million to support the sales growth and investment in working capital.

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

In May 2022, the credit agreement was amended to increase the credit facility from C$11 million to C$14 million to support the sales growth and investment in working capital. In exchange for increase in the borrowing limit, the Company issued 230,769 shares at Cdn $0.65 as compensation for Canadian $150K amendment fee. All other terms and conditions are unchanged.

In June 2022, the credit agreement was again amended to add to the definition of “Credit Facility Advance Rate Limit” 50% of the Value of Eligible Inventory that is in-transit to or between locations owned by the Borrower or with respect to which a Collateral Access Agreement has been obtained plus the Value of Eligible Receivables on account of Purchase Orders with respect to which the related goods are expected to ship prior to December 31, 2022. In exchange for this amendment to the definition of “Credit Facility Advance Rate Limit”, the Company issued 84,746 shares at Cdn $0.59 as compensation for Canadian $50K amendment fee. All other terms and conditions are unchanged.

b) Promissory Note

The Promissory Note is for $4,662 (Cdn $6 million) and bears interest at the greater of a) 10% per annum or b) 7% per annum above the Prime Rate.

	June 30, 2022	September 30, 2021
Promissory Note	$ 4,662	$ 4,734

The promissory note is secured by the personal guarantee of Dr. Sankar Das Gupta, Executive Chairman of the Board, and the controlling shareholder of the Company, as well as a pledge of 25,700,000 Common Shares by Dr. Das Gupta in favor of the lender.

On December 17, 2021, the promissory note which was due to mature on December 31, 2021 and was amended to July 1, 2022. All other terms and conditions are unchanged. In exchange for the extension, the company issued 306,122 shares at Cdn $0.98 as compensation for Canadian $300K extension fee. On February 23, 2022, the maturity of the promissory note was further amended from July 1, 2022 to December 21, 2022.

Electrovaya has paid a renewal fee of C$400,000, for the February 23, 2022 amendments to the revolving credit agreement and promissory note. The fee was paid by issuing Company’s shares to the financial institution. (See note 9(a)(ii))

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

9. Share Capital

a) Authorized and issued capital stock

Authorized

Unlimited common shares

Issued

	Common Shares	
	Number	Amount
Balance, September 30, 2021	145,940,908	$102,498
Issuance of shares (i)	306,122	234
Issuance of shares	65,000	29
Transfer from contributed surplus	-	25
Balance, December 31, 2021	146,312,030	102,786
Issuance of shares (ii)	493,826	320
Balance, March 31, 2022	146,805,856	103,106
Issuance of shares (iii)	230,769	115
Issuance of shares (iv)	84,746	40
Issuance of shares	6,666	3
Transfer from contributed surplus	-	2
Balance, June 30, 2022	147,128,037	103,266

(i) On December 17, 2021, the promissory note which was due to mature on December 31, 2021 and was amended to July 1, 2022. All other terms and conditions are unchanged. In exchange for the extension, the company issued 306,122 shares at Cdn $0.98 as compensation for Canadian $300K extension fee.

ii) On February 23, 2022, the promissory note which was due to mature on July 1, 2022 was amended to December 21, 2022 and the credit facility was increased from C$7 million to C$11 million. All other terms and conditions are unchanged. As consideration for these amendments, the company issued 493,826 shares at Cdn $0.81 as compensation for Canadian $400K renewal fee.

(iii) On May 12, 2022, the promissory note was amended and the credit facility was increased from C$11 million to C$14 million. All other terms and conditions are unchanged. As consideration for these amendments, the company issued 230,769 shares at Cdn $0.65 as compensation for Canadian $150K amendment fee.

(iv) On June 08, 2022, the credit agreement was amended to redefine the “Credit Facility Advance Rate Limit. All other terms and conditions are unchanged. As consideration for these amendments, the company issued 84,746 shares at Cdn $0.59 as compensation for Canadian $50K amendment fee.

b) Stock Options

Options to purchase common shares of the Company under its stock option plan may be granted by the Board of Directors of the Company to certain full-time and part-time employees, directors and consultants of the Company and its affiliates. Stock options are non-assignable and may be granted for terms of up to 10 years. Stock options vest at various periods from zero to three years.

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

On March 25, 2022 at a Special Meeting of the Shareholders, a resolution was passed to (i) authorize amendments to the company's Stock Option Plan to increase the maximum number of common shares issuable upon the exercise of stock options thereunder from 23,000,000 to 30,000,000.

	Number outstanding	Weighted average exercise price
Outstanding, September 30, 2021	17,277,271	$0.45
Issued	100,000	$0.90
Cancelled or expired	(54,998)	$0.63
Exercised (note 9(a))	(65,000)	$0.44
Outstanding, December 31, 2021 and March 31, 2022	17,257,273	$0.44
Issued	1,500,000	$0.44
Exercised (note 9(b))	(6,666)	$0.51
Outstanding, Jun 30, 2022	18,750,607	$0.57

Exercise price					Number Outstanding	Weighted average remaining life (years)	Options exercisable: Number exercisable	Options exercisable: Weighted average exercise price
$0.25	(	Cdn	$0.32	)	34,000	0.45	34,000	$0.25
$0.55	(	Cdn	$0.71	)	32,000	0.65	32,000	$0.55
$0.56	(	Cdn	$0.72	)	1,282,000	1.64	1,282,000	$0.56
$0.81	(	Cdn	$1.04	)	15,000	1.69	15,000	$0.81
$0.79	(	Cdn	$1.02	)	41,000	1.90	41,000	$0.79
$0.51	(	Cdn	$0.65	)	177,505	2.64	177,505	$0.51
$0.71	(	Cdn	$0.91	)	60,000	2.89	60,000	$0.71
$0.54	(	Cdn	$0.69	)	214,500	3.25	214,500	$0.54
$0.61	(	Cdn	$0.79	)	48,000	3.62	48,000	$0.61
$1.65	(	Cdn	$2.13	)	505,600	4.50	505,600	$1.65
$0.95	(	Cdn	$1.22	)	53,334	5.09	53,334	$0.95
$0.22	(	Cdn	$0.28	)	606,334	5.65	606,334	$0.22
$0.23	(	Cdn	$0.30	)	5,120,000	7.09	5,120,000	$0.23
$0.51	(	Cdn	$0.66	)	1,421,334	8.21	469,336	$0.51
$0.78	(	Cdn	$1.00	)	7,540,000	9.21	590,000	$0.78
$0.89	(	Cdn	$1.15	)	100,000	9.42	100,000	$0.89
$0.44	(	Cdn	$0.57	)	1,500,000	9.98	550,000	$0.44
					18,750,607	7.63	9,898,609	$0.57

Stock based compensation expense related to the portion of the outstanding stock options that vested during the quarter ended June 30, 2022 was $378 (June 30, 2021-$42). As at June 30, 2022, the

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

Company had outstanding 18,750,607 options (17,257,273 as at March 31, 2022) to acquire common shares under the Company's employee stock option plan.

We amortize the estimated grant date fair value of stock options to expense over the vesting period (generally three years). The grant date fair value of outstanding stock options was determined using the Black-Scholes option pricing model and the following assumptions in the year of the grant: risk-free interest rate (based on U.S. government bond yields), expected volatility of the market price of our shares (based on historical volatility of our share price), and the expected option life (in years) (based on historical option holder behavior).

c) Warrants

Details of Share Warrants

	Number Outstanding
Outstanding, September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022	10,175,075

Details of Compensation Options to Brokers

	Number Outstanding
Outstanding, September 30, 2021, December 31, 2021, March 31, 2022 and June 30, 2022	145,333

10. Related Party Transactions

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

Quarterly General Expenses

There is an outstanding payable balance to Dr. Sankar Das Gupta of $18 relating to raising of capital on behalf of the Company, as at June 30, 2022 (2021-$18).

During the quarter ended June 30, 2022, the Company paid $53 (2021 - $133) to Dr. Das Gupta 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.

Personal Guarantees

Dr.Sankar Das Gupta personally guaranteed the following short-term loans.

	June 30, 2022		September 30, 2021
	CDN	USD	USD
Shareholder guaranteed loan (Dec. 2017)	$ 500	$ 389	$ 395
Shareholder guaranteed loan (June 2019)	300	233	236
	$ 800	$ 622	$ 631

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

	June 30, 2022	September 30, 2021
Promissory Note (note 8(b))	$ 4,662	$ 4,734

The promissory note is also secured by the personal guarantee of Dr. Sankar Das Gupta,as well as a pledge of 25,700,000 Common Shares by Dr. Das Gupta in favor of the lender.

Electrovaya Labs – Facility Usage Agreement

In May 2021 Electrovaya entered a month to month Facility Usage Agreement for the use of space and allocated staff of a third party research firm providing access to laboratory facilities, primarily for research associated with its Electrovaya Labs segment. The laboratory and pilot plant facilities have many equipment, and does have permits for research and developments with chemicals. The term of the agreement was for six months and could be terminated by either party upon 90 days notice.

In July 2021 the facility was acquired by an investor group controlled by the family of Dr. Sankar Das Gupta, and which group includes its CEO, Dr. Rajshekar Das Gupta. The Facility Usage Agreement was not changed on the change of ownership and remains in effect between the Company and the owner, such that the monthly payment of Cdn $25,000 is now with a related party of Electrovaya.

In December 2021 the Facility Usage Agreement was renewed for a further 12 months on the same terms and conditions.

Special Option Grants

In September 2021, on the recommendation of the Compensation Committee of the Company, a committee composed entirely of independent directors, the Board of Directors of the Company determined that it is advisable and in the best interests of the Company to amend the terms of the compensation of certain key personnel to incentivize future performance, to encourage retention of their services, and to align their interests with those of the Company’s shareholders.

Dr. Sankar Das Gupta was granted two million options which vest in two tranches of one million options each based on reaching specific target market capitalizations. As the target market capitalizations have not yet been reached, none of these options have vested.

Dr. Rajshekar Das Gupta was granted four million and five hundred thousand options which vest in three tranches of one million and five hundred thousand options based on reaching specific target market capitalizations. As the target market capitalizations have not yet been reached, none of these options have vested.

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

11. Change in Non-Cash Operating Working Capital

	June 30, 2022	June 30, 2021
Trade and other receivables	$ (1,643)	$ (33)
Inventories	(426)	(2,830)
Prepaid expenses and other	(3,166)	(603)
Trade and other payables	(575)	(738)
Other payable	(232)	(13)
Deferred grant income	170	281
Deferred revenue	(631)	43
	$ (6,503)	$ (3,893)

12. Relief and Recovery Fund Payable

The Relief and recovery fund is created by the Ministry to support the Company to recover from economic disruption associated with the COVID-19 outbreak. An amount of $240 (CAD 304K) was received during the quarter ended December 31, 2020 and an amount of $52 (CAD 76K) was received during the quarter ended March 31, 2021 for a total of $300 (CAD 380k) as at September 30, 2021. The funding bears no interest and the Company is required to repay in equal monthly payments for 5 years starting from April 1, 2023.

13. Government Assistance

The government assistance is related to specific Government supported research and development programs undertaken by Electovaya Labs, a division of the Company. The National Research Council of Canada Industrial Research Assistance Program (IRAP) has provided $52 (Cdn $66K), Next Generation Manufacturing Canada (NGen) has provided $85 (Cdn $108K), Innovation Asset MSP contribution $22 (Cdn $28K) and innovation tax credit payment $67 (Cdn $85K) in the June 30, 2022 quarter.

14. Financial Instruments

The accounting policies for financial instruments in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended September 30, 2021. This note should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2021.

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, promissory notes and other payables.

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

Fair Value

IFRS 13 "Fair Value Measurement" provides guidance about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.

- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the carrying and approximate fair values of the Company's financial instruments:

	As at June 30, 2022				As at September 30, 2021			
Financial assets:	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$955	-	-	**$955**	$4,202	-	-	**$4,202**
Trade and other receivables	2,984	-	-	**2,984**	1,341	-	-	**1,341**
Financial liabilities:								
Working capital facilities	10,855	-	-	**10,855**	3,277	-	-	**3,277**
Trade and other payables	2,673	-	-	**2,673**	3,248	-	-	**3,248**
Short term loans	-	622	-	**622**	-	631	-	**631**
Other payables	187	-	-	**187**	419	-	-	**419**
Promissory notes	-	4,662	-	**4,662**	-	4,734	-	**4,734**
Non-current liabilities	-	2,435	-	**2,435**	-	2,603	-	**2,603**

There were no transfers between levels of the fair value hierarchy during the period presented.

Risk Management

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. There have been no changes in risk exposure since the prior year unless otherwise noted.

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

Capital risk

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

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

The Group's capital management objectives are:

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

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

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

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

		30-Jun-22		30-Sep-21
Total (Deficiency)	$	(6,098)	$	(1,696)
Cash and cash equivalents		(955)		(4,202)
(Deficiency)		(7,053)		(5,898)
Total (deficiency)		(6,098)		(1,696)
Promissory Note		4,662		4,734
Short-term loan		622		631
Working capital facilities		10,855		3,277
Other Long-term liabilities		2,911		3,220
Overall Financing	$	12,952	$	10,166
Capital to Overall financing Ratio		-0.54		-0.58

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 due to its cash and cash equivalents, trade and other receivables.

Cash is held with financial institutions, each of which had at June 30, 2022 a rating of R-1 mid or above.

The Company manages its credit risk related to trade and other receivables 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 and no credit losses are expected. Management is taking appropriate action to mitigate this risk by adjusting credit terms.

Liquidity risk

Liquidity risk is the risk that we may not have cash available to satisfy our financial obligations as they come due. The majority of our financial liabilities recorded in accounts payable, accrued and other current liabilities and provisions are due within 90 days. We manage liquidity risk by maintaining a portfolio of liquid funds and having access to a revolving credit facility. We believe that cash flow from operating activities, together with cash on hand, cash from our A/R, and borrowings available under the Revolver are sufficient to fund our currently anticipated financial obligations, and will remain available in the current environment.

Market risk

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

Interest rate risk

The Company has variable interest debt as described in Note 8 and 10. Changes in interest rates will affect future interest expense and cash flows. The Company does not enter into derivative instruments to reduce this exposure.

Foreign currency risk

The Company is exposed to foreign currency risk. The Company’s functional currency is the Canadian dollar and the financial statements are presented in United States dollars. Changes in the relative values of these currencies will give rise to changes in other comprehensive income.

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 June 30, 2022 was $367 (March 31, 2022 $287).

(Expressed in thousands of U.S. dollars, except where otherwise indicated)

If the US dollar to Canadian foreign exchange rate changed by 2% this would change the recorded Net gain(loss) by $141 (2021-$69).

15. Contingencies

The contingencies in these unaudited condensed interim consolidated financial statements are the same as those disclosed in the Company's consolidated financial statements as at and for the year ended September 30, 2021.

On July 22, 2022, the Company received a Notice of Confirmation from the CRA relating to the 2014 and 2015 SRED reassessment for $299 (Cdn$386) and $302 (Cdn$389) including interest respectively. The Company is pursuing the next appropriate step in the appeal process and believes the amounts may be reversed or substantially reduced. The outcome cannot be determined.

16. Segment and Customer Reporting

The Company develops, manufactures and markets power technology products.

Given the size and nature of the products produced, the Company's operations are segmented based on large format batteries, with the remaining smaller product line categorized as "Other".

There has been no change in either the determination of our segments, or how segment performance is measured, from that described in the Company's consolidated financial statements as at and for the year ended September 30, 2021.

Segment profits are assessed based on revenues, which for the quarters ended June 30, 2022 and 2021 were as follows:

		2022		2021
Large format batteries	$	4,223	$	1,852
Other		82		66
	$	4,305	$	1,918

Revenues based can be analyzed as follows based on the nature of the underlying deliverables:

		2022		2021
Revenue with customers				
Sale of batteries and battery systems	$	4,223	$	1,852
Sale of services		9		13
Grant income				
Research grant		-		-
Others		73		53
	$	4,305	$	1,918

Sales of batteries and battery systems and research grants are recognized at a point in time once the conditions for recognition are met. Service revenue is recognized over time as the service is rendered.

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Revenues attributed to regions based on the location of the customer were as follows:

		2022		2021
Canada	$	90	$	22
United States		4,194		1,896
Other		21		-
	$	4,305	$	1,918

Customers:

Electrovaya defines the customer as the end user of our product. With our direct sales channel, sales orders are placed directly by the customers to Electrovaya. With our OEM sales channel, the OEM has an exclusive distribution agreement with the company such that the end customers place the order with the OEM which then passes the order to Electrovaya. While the OEM, because of the exclusive distribution agreement, has a large volume of sales it represents a wide and varied customer base.

For the year quarter ended June 30, 2022 one customer/distributor represented more than 10% of total revenue (quarter ended June 30, 2021 one customer/distributor). Our largest customer/OEM distributor accounted for 85.1% and 88.8% of total revenue for the quarters ended June 30, 2022 and of 2021 respectively.

The movement in the balance of deferred revenue is as follows:

	June 30, 2022	September 30, 2021
Beginning balance	$ 900	$ 704
Amounts received	-	219
Recognition of income	-	(8)
Amounts refunded	(575)	(50)
Currency translation	(56)	35
Ending balance	$269	$900

17. Subsequent Events

In July 2022, the credit agreement was amended to increase the credit facility from C$14 million to C$16 million to support the sales growth and investment in working capital. In exchange for increase in the borrowing limit, the Company issued 58,823 shares at Cdn $0.85 as compensation for Canadian $50K amendment fee. All other terms and conditions are unchanged.