

ELECTROVAYA INC.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

December 23, 2016

ELECTROVAYA INC.
ANNUAL INFORMATION FORM
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ELECTROVAYA INC.

ANNUAL INFORMATION FORM

Unless otherwise indicated herein, the information set out in this annual information form (“AIF”) is current to December 23, 2016 and is presented in US dollars.

This AIF contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to, among other things, estimated orders and volumes provided by Electrovaya by customers and potential customers, order forecasts, forecasted customer orders and estimated revenues, technology development progress, plans for shipment of products and production plans for products, the availability of supplies and other inputs required for producing the Company’s products, the Company’s markets, objectives, goals, strategies, intentions, beliefs, expectations and estimates, and can generally be identified by the use of words such as “may”, “will”, “could”, “should”, “would”, “likely”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “objective” and “continue” (or the negative thereof) and words and expressions of similar import, and include, but are not limited to, statements concerning possible or assumed future results set out under “Our Strategy”, “Marketing and Sales” and “Research and Development”, and future products and the timing for their roll-out under the heading “Description of the Business”. Readers and investors should note that estimated and forecasted orders and volumes provided by customers and potential customers to Electrovaya constitute forward-looking information and Electrovaya does not have (X) 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 (Y) the ability to monitor the performance of the business its customers and potential customers in order to confirm that the forecasts and estimates initially represented by them to Electrovaya remain valid and if such forecasts and estimates do not remain valid, or if firm irrevocable orders are not obtained, the potential estimated revenues of Electrovaya could be materially and adversely impacted.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: parties with whom Electrovaya has executed a memorandum of understanding or letters of intent (each, an “MoU”) not entering into a definitive agreement with Electrovaya in a timely manner or at all, or on terms different than those contained in the applicable MoU; the purchase orders actually placed by customers of Electrovaya; the customers of Electrovaya terminating the agreements or not renewing such agreements annually; general business and economic conditions (including but not limited to currency rates and creditworthiness of customers); the Company’s liquidity and capital resources, including the availability of additional capital resources to fund its activities; level of competition; changes in laws and regulations; legal and regulatory proceedings; the ability to adapt products and services to the changing market; the ability to attract and retain key executives; and the ability to execute strategic plans. Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward- looking statements may be found herein

under the heading “Risk Factors”, as well as in the Company’s Management’s Discussion and Analysis for the year ended September 30, 2016, and other public disclosure documents filed with Canadian securities regulatory authorities. The Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements contained or incorporated by reference in this document, whether as a result of new information, future events or otherwise, except as required by law.

1. Corporate Structure

1.1 Name and Incorporation

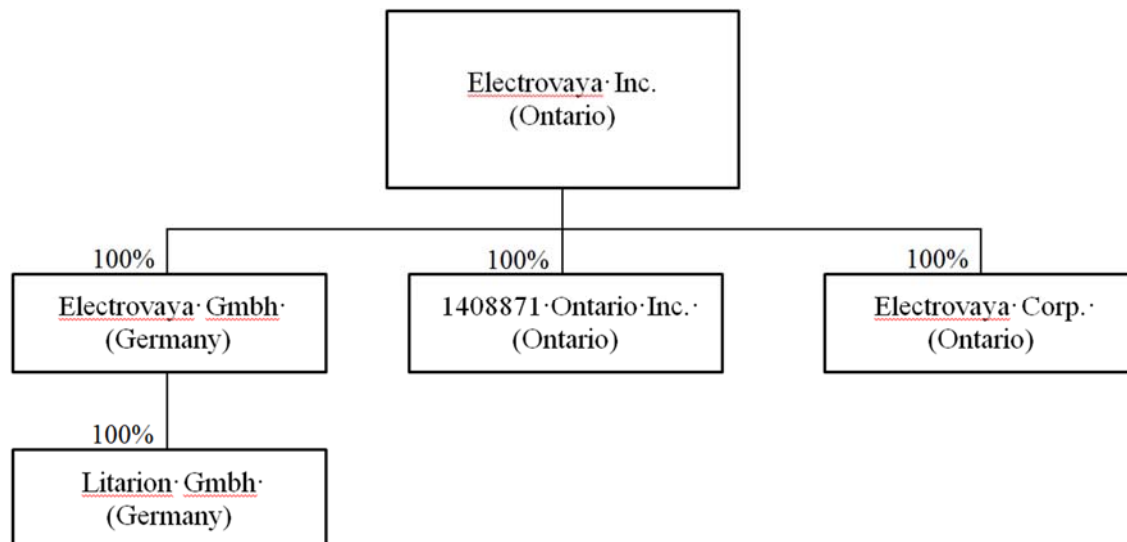
Electrovaya Inc. (the “Company” or “Electrovaya”), which refers to Electrovaya Inc., its predecessor corporations and all of its subsidiaries (unless the context otherwise requires), was incorporated under the *Business Corporations Act* (Ontario) in September 1996. With the approval of our shareholders, we split our common shares on a three for one basis on September 18, 2000.

We were listed on the Toronto Stock Exchange under the ticker symbol “EFL” in November 2000.

On March 26, 2002, our shareholders approved the change of our name to “Electrovaya Inc.” from “Electrofuel Inc.”.

1.2 Intercorporate Relationships

The following diagram illustrates the intercorporate relationships between the Company and its material subsidiaries, and the percentage of votes attached to all voting securities of the material subsidiary owned, controlled, or directed, directly or indirectly, by the Company, and the subsidiary’s respective jurisdiction of formation.



Our registered and head office is located at 2645 Royal Windsor Drive, Mississauga, Ontario L5J 1K9. Our telephone number, fax number and website address are (905) 855-4610, (905) 822-7953 and www.Electrovaya.com, respectively.

2. General Development of the Business

2.1 Summary of the Business

We design, develop and manufacture electrodes, separators, cells, advanced battery and battery systems for the transportation, electric grid stationary storage and mobile markets. We believe our proprietary *Lithium Ion SuperPolymer®* technology, our expertise in the design and development of large-format prismatic (flat) battery systems and our ceramic composite separator (SEPARION™), can provide our customers with significant benefits, including improved cycle life and safety.

Our main businesses include:

1. stationary storage for energy grid systems and green- energy solutions such as solar and wind;
2. electromotive power products for vehicles, including automobiles, forklifts used in materials handling, and other transportation applications;
3. industrial and residential products for energy storage;
4. specialty applications which require complex power solutions, including competencies in building systems for third parties; and
5. electrodes, Cells, Modules and our SEPARION™ separators for the lithium-ion Batteries.

We have a 156,000 square foot battery and battery systems research and manufacturing facility in Mississauga, Ontario. We developed and patented a process for the production of electrodes which eliminates the standard use of industrial toxic N-Methylpyrrolidone (“NMP”) solvents. We carry out engineering development at this facility, including assembly of complete battery systems. We have a sales and engineering representative based in Taipei, Taiwan.

Effective April 29, 2015, as a result of the acquisition of Litarion GmbH (formerly Evonik Litarion GmbH (“Litarion”)), we acquired an advanced automated production plant for lithium-ion electrodes and ceramic composite separators, with a rated capacity of 0.5 gigawatt hours (“GWh”) of electrodes and 10 million m2 of ceramic separators along with all associated intellectual property. We own the exclusive global rights to this separator, SEPARION™, a proprietary flexible ceramic composite separator for safe lithium-ion battery applications. The plant is located in Kamenz, Germany and consists of approximately 143,000 square feet of manufacturing and warehouse space.

Electrovaya has a team of mechanical, electronic, battery and system engineers able to give clients a “complete solution” for their energy and power requirements.

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

- *Platform technology.* The primary elements of a lithium battery cell are the anode, cathode, separator and electrolyte. Unlike many other battery technologies that rely on advancements in component materials and chemistries (for example, application of phosphate or manganese chemistries to the cathode), our proprietary platform *Lithium Ion SuperPolymer®* technology provides comfort that our technology will not be rendered obsolete by changes to the underlying battery chemistry or other component materials. We are therefore able to continuously evolve and benefit from improvements in component materials, including advancements in electrode materials as battery performance metrics continue to improve.
- *Emission-free manufacturing.* To our knowledge, we are the only major battery manufacturer who has developed a production process that does not require the use of industrial NMP solvents. For instance, we have developed a manufacturing process that does not utilize NMP, a solvent that is used for many different purposes, including manufacturing and stripping paint, as well as for cleaning in the electronics and battery industries. According to the California Department of Health Services (“CDHS”), NMP has proven toxic to the reproduction systems of male and female test animals. While the toxic effects of NMP on humans have not been studied, the CDHS recommends that NMP be treated as a potential human reproductive hazard. Similarly, the European Commission labeled NMP a reproductant toxicant in 2003 and has proposed to label it a toxic chemical. We believe that this non-toxic electrode manufacturing process can provide us with a competitive advantage. Some manufacturers use water based processing, however, we believe that water processing, especially for cathode electrodes, leads to low quality cells.

While our manufacturing facility in Kamenz, Germany currently manufactures using NMP, it is our intention to convert this facility to our non-NMP process. The timetable is dependent upon receipt of funding for the conversion process.

- *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. Today, cylindrical battery technology is common since the mass production of cylindrical cells has been established for a long period. However, the use of cylindrical cell technology for larger applications, such as transportation or energy storage, has limitations in scale-up. In addition, cylindrical cells in the past have been shown to demonstrate issues with heat removal as well as safety limitations. We have designed, developed and manufactured large-format prismatic batteries suitable for the electro-motive and energy storage industry.
- *Safety:* We believe our flexible ceramic separator, SEPARION™ provides a high level of safety in a lithium-ion battery. Safety in lithium-ion batteries is becoming the most 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. Recent safety incidents in the aerospace, electromotive and other applications

have generated heightened concern for safety. The SEPARION™ flexible ceramic separator is in many thousands of electric Smart cars built by Daimler, and to our knowledge, without any safety incidents. SEPARION™ is protected by many patents and know-how. We own the exclusive global rights for the use of SEPARION™ in the lithium-ion battery industry in perpetuity.

- *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 we have a method to reduce such parasitic reactions. Higher cycle life is importance in many intensive applications of lithium-ion batteries and we believe this represents a competitive advantage for the Company's products.

Additional information can be found in our "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended September 30, 2016, available on SEDAR.

2.2 Three Year History

Since our founding in 1996, much of our funding has come from government grants and product development of advanced battery systems. In addition, we have generated revenue from the sale of our rechargeable battery line of PowerPad® series of batteries as well as from sales of our Scribbler Tablet PC®, each of which targets the healthcare industry. In early 2002, we re-focused our research, development and commercial efforts on the design, development and production of advanced battery systems for the Plug in Hybrid Electric Vehicle (PHEV) and Electric Vehicle (EV) markets. Since 2010, we have also begun to focus on the stationary energy markets. Our next generation 2.0 technology was launched in the latter half of 2013 and we have been showcasing the technology in diverse markets from automotive to utilities and energy storage.

Our advanced energy storage solutions have been put in place in the UK, Europe, Canada and the United States. Our partners have included Toronto Hydro, London Hydro, Scottish and Southern Energy Power Distribution with Government support from various organizations including the Ministry of Energy and Sustainable Development Technology Corp. This expertise has led to contracts announced in September 2015 with Con Edison and the New York State Energy Research and Development Authority ("NYSERDA") for the design and build of an advanced Transportable Energy Storage System ("TESS").

On April 29, 2015, the Company acquired all of the issued outstanding shares of Litarion from Evonik DeGussa GmbH ("Evonik"), including an exclusive, perpetual license of the SEPARION™ intellectual property at a nominal annual fee. The purchase price was Eur 1 million (approximately Cdn\$1.5 million). Our acquisition of Litarion expanded our production capacity for electrodes and flexible ceramic separators for lithium-ion batteries.

Litarion was supplying all of the electrodes and separators for the electric vehicles being built by a major German OEM. This project ended in October 2015 and Litarion has subsequently started to supply to the broader lithium-ion battery community.

The integration of the Litarion operations with our advanced energy storage solutions resulted in the development of new products and the entrance into new markets for energy storage and green technology. This includes residential home storage, electric buses, electric forklifts, electric light trucks and electric light commercials vehicles.

2.3 Narrative Description of the Business

The Company operates in one business segment and has one reporting unit. The Company develops, manufactures and markets lithium-ion based battery products for multiple applications.

For the years ending September 30, 2016, and 2015, revenues (expressed in thousands of US \$) from business activities were as follows:

		2016		2015
<i>Large Format Batteries</i>	\$	8,525	\$	14,713
<i>Other</i>		11,010		1,855
	\$	19,535	\$	16,568

The main sources of materials for the Company relate to battery chemicals, packaging and electronics components. Pricing of battery chemicals and packaging materials fluctuate according to demand. We have a supply chain group whose objective is to optimize purchasing and manage supply chain risks.

Strategic Plan

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

To achieve these strategic objectives, we intend to pursue the following:

- Establish global strategic relationships in order to broaden the market potential of our products and services;
- Develop and commercialize leading-edge technology for the stationary grid, industrial energy storage and electro-motive applications in the transportation sector and 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, but enhance the operating performance of, our current and future products;
- Further develop and implement our non-toxic electrode production processes and increase quality by using best practices manufacturing approaches and through continuous improvement initiatives;
- Invest heavily in innovative research and development activities to design full battery systems for new applications; and

- Continue to look for opportunities to purchase stranded assets of large lithium-ion plants which are expensive to operate in an environmentally regulated jurisdiction but can be competitive with the introduction of our non-NMP processes.

2.3.1 Overview of Products & Services

Electro-Motive and Stationary Energy Storage Applications

There are two major fast growing markets for large format lithium-ion batteries: electro-motive applications and stationary energy storage. Electroveya is working towards delivering products and related services to these two sectors. The electro-motive sector is fast growing with increased global pressure on reducing carbon emissions and our focus is addressing applications where a lithium-ion battery will be used intensively, as intensive users tend to place a higher value on better performing and safer technology. Intensive use of lithium-ion batteries in the electro-motive space include electric trucks, electric forklifts, electric buses and other industrial vehicle systems. These vehicles are generally driven 16 to 22 hours per day as opposed to a passenger vehicle that may only be used for up to 4 hours a day. Additionally, the operational environments can also be more challenging on the battery, such as dusty, humid conditions, or rapid temperature changes, in the case of cold storage warehouses.

The stationary energy storage market, which includes residential, commercial and industrial, and utility scale projects also benefits from our advanced technologies as long cycle life and a high level of safety are valued in these applications.

For both markets, our vertical integration and product suite allows us to offer end-customers or original equipment manufacturers with the complete battery systems or sub-components they need in their application.

Head Office and Other Global Offices

Our facility in Mississauga, Ontario focuses on value added systems and is the head office of the Electroveya group.

Our facility in Kamenz, Germany consists of approximately 143,000 square feet of manufacturing and warehouse space. Staff at the facility include production, research and development and sales employees.

Research and Development

Electroveya continues to research, develop and commercialize improved lithium-ion batteries and associated technologies with longer life, higher energy density and increased safety. Our research includes work on new electrodes and their materials, improved processing methods, further automation of equipment, optimization of various processing unit processes, nano materials and cell fabrication processes, and improvement to integrated battery management systems. Through continuous improvements to our technology, Electroveya intends to improve the energy density of our cell technology, promote such advances into production and achieve a competitive cost structure.

The Company primarily uses “MN-Series” lithium-ion SuperPolymer® battery technology. The MN-Series lithium-ion SuperPolymer® technology is a lithiated manganese and mixed metal oxide based system that distinguishes itself with up to 50% or more higher energy density compared to phosphate based lithium-ion batteries.

Electrovaya is committed to investing in developing better products for our customers and pursuing research activities that prepare us for the future. To date, Electrovaya has invested more than \$100 million in research & development and manufacturing, and over XX% of our revenues during the 2016 fiscal year were reinvested in research and development.

At the system level, our team of engineers in Mississauga continues to develop the mechanical, thermal, electrical, and control systems for innovative battery systems for our clients, enabling us to offer a complete solution for their specific power or energy requirements.

At the cell level, our research and development efforts include working on new electrodes and materials, improving processing methods, further automation of equipment, experimenting with new nanomaterials and cell fabrication processes. Electrovaya is targeting to reduce production costs while increasing energy and power density, extending cycle life and calendar life, and improving our products’ useable energy percentage. Our research and development on our cell technology is conducted both at our Mississauga and Kamenz facilities. Electrovaya owns over 100 issued and pending patents worldwide, including over 25 US patents. These patents cover our fundamental structural technology innovations, our system level designs including our intelligent battery management system for transportation, as well as some nanomaterial developments. Our patents are issued globally and typically across the United States, Canada, Europe, India, China, Japan and other countries where potential markets and/or manufacturing activities make patent protection desirable and economically justifiable.

With the acquisition of Litarion, Electrovaya has acquired and licensed intellectual property which consists of patents as well as know-how and knowledge through over a decade of experience. Electrovaya has the global exclusive license in perpetuity from Evonik AG for the use of SEPARION™ separators in lithium-ion batteries. Evonik has over 200 patents covering this ceramic composite separator.

In addition, Litarion owns about 50 patents on electrodes, new materials and other aspects of the lithium-ion battery which now belong to the Electrovaya group.

2.3.2 Sale of Products

Electrovaya has commercially available electrodes, separators, cells, modules and full battery systems for use in a range of stationary and electro-motive applications. Our geographical focus is in Europe and North America with business development groups based in both locations. Electrovaya is also continuously developing new cells, modules and systems for original equipment manufacturers and their unique applications. Our current focus is on the electro-mobility, stationary energy storage, and industrial applications end markets.

The Company is not aware of any material seasonal aspects of its business.

2.3.3 Competition

The battery industry is highly competitive. Electroveya competes with a large number of market participants including pure-play battery providers, diversified technology and industrial vendors and strategic joint ventures. Our primary competitors include the following:

- *Stationary Energy Storage.* Competition includes manufacturers and system integrators. We compete primarily with LG Chem, Panasonic, Tesla, SAFT, BYD, NEC, Samsung, SK Innovation, Toshiba, Leclanche, Mercedes Benz, GE and others.
- *Electro-mobility.* We compete primarily with LG Chem, Johnson Controls, SAFT, Samsung, SK Innovation, Hitachi, and Panasonic, as well as others.
- *Separator.* Our primary competition in the separator market is from Polypore, Asahi Kaisei, Entek, Sumitomo, Ube, and Toray, as well as others. We have recently reduced our sales activity in the standalone separator business.
- *Electrodes.* Electrode sales is a niche business and both demand and supply is marginal.

To compete successfully, we intend to continue to build on the advantages offered by our technology. In addition, our sales and marketing teams continuously target customers in new verticals.

2.3.4 Intellectual Property

We seek to protect our intellectual property, including our technological innovations, products, software, manufacturing processes, business methods, know-how, trademarks and trade dress by law through patents, trade secrets, copyright and trademark law, and by contract through non-disclosure agreements.

Our patent portfolio comprises patents issued to Electroveya and to our wholly owned subsidiary, Litarion. We also have the exclusive license in perpetuity from Evonik for ceramic separators. This allows protection from the Evonik patent portfolio for the ceramic separators in Lithium ion batteries. In addition to our patent portfolio, trade secrets and proprietary know-how are an important component in protecting our battery innovations and our manufacturing processes. We further protect our trade secrets and proprietary know-how by keeping our facilities physically secure, disclosing relevant information only on a need-to-know basis and entering into non-disclosure agreements with our potential customers, employees, consultants and potential strategic partners, and by treating and marking the confidential information as confidential.

We will continue to apply for patents resulting from ongoing research and development activities, acquire, or license patents from third parties, if appropriate, and further develop the trade secrets related to our manufacturing processes and the design and operation of the equipment we use in our manufacturing processes.

2.3.5 Employees

As of September 30, 2016 we had approximately 200 full-time employees across the globe. Our employees in Germany are covered by a collective bargaining agreement, which is generally standard in Germany and most parts of Europe. We believe we enjoy a good and productive relationship with our employees.

3. Risk Factors

Our business of designing, developing and manufacturing electrodes, separators, cells, advanced battery and battery systems for the transportation, electric grid stationary storage and mobile markets faces many risks of varying degrees of significance, which could affect our ability to achieve our strategic objectives. The risk factors described below are not the only risks and uncertainties that we face. 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 risks the Corporation faces are disclosed in the Company' Management's Discussion and Analysis for the year ended September 30, 2016.

Our Company has a limited history of operations and there is no assurance that we will be able to produce or generate and fulfill orders for large quantities of our products.

Electrovaya may not be able to establish anticipated levels of high-volume production on a timely, cost-effective basis, or at all. It has never manufactured batteries in substantially large quantities and it may not be able to maintain future commercial production at planned levels. As a result of the risks discussed within this AIF, among others, Electrovaya may not be able to generate or fulfill new sales orders or deliver them in a timely manner, which could have a material effect on its business and results of operations.

The acquisition of Litarion exposes us to a number of risks.

The acquisition of Litarion entails many risks, including general business risks, and risks particular to the lithium-ion business discussed within this AIF. In addition there are other specific risks related to the acquisition detailed below.

Litarion represented technology central to the efforts by Evonik and Daimler to create the largest lithium-ion battery operation in Europe. Despite the support of two successful, established German industrial entities with a long history of operations, and the goodwill and support from the Saxony and German governments to keep the complex operational, significant challenges to maintaining and growing the business remained. Electrovaya may face similar challenges when trying to make Litarion a successful business enterprise.

The Litarion operations were known to be for sale since approximately mid-2013, without other potential purchasers materializing for reasons that are not fully understood. There are operational risks associated with the acquisition, and it is uncertain that Electrovaya's management will be able to integrate the two companies and operate them successfully together.

Litarion depended on a single customer. The Company has developed and expanded business development teams in both Canada and Germany to reduce the risk from a single large customer and move to a multi-customer and multi-sector strategy, but there is no certainty such efforts will be successful. Even with the business development and sales initiative and the securing of what the Company expects are a number of new customers, the conversion of the customer pipeline to revenue will also require lead time as qualification, supply, manufacturing and shipping arrangements are put in place. Therefore we expect a lag before full production and productivity levels can be reached.

The Saxony government has been approached to finance the project to implement the ElectroVaya non-NMP process at Litarion. If this non-NMP process is successfully implemented, this will reduce operating costs for electrode manufacturing at Litarion. However, there is no certainty we will be able to finance the implementation.

Our products depend on intellectual property, which may be subject to challenge or failures to adequately protect it.

Our success depends, in part, on our ability to protect our proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that we use to manufacture and sell our products. If we fail to protect our proprietary technology, we may lose any competitive advantage it provides. Others may claim that the Company's products infringe on their intellectual property rights, which could result in significant expenses for litigation, developing new technology or licensing existing technologies from third parties. If we are unable to maintain registration of our trademarks, or if our trademarks or trade name are found to violate the rights of others, the Company may have to change its trademarks or name and lose any associated goodwill.

We have had a history of losses, and we may be unable to achieve or sustain profitability.

We have never been profitable on an annual basis. We expect to incur expenses as we continue to develop and expand our business and our manufacturing capacity. We may incur significant losses in the future for a number of reasons, including the risks described in this AIF, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, we may not be able to achieve or maintain profitability. The acquisition of Litarion may burden us with higher costs for labour, overhead and materials.

Our ability to generate positive cash flow is uncertain.

To rapidly develop and expand our business, we have made significant up-front investments in our manufacturing capacity and incurred research and development, sales and marketing and general and administrative expenses. In addition, our growth has required a significant investment in working capital over the last several years. We have had negative cash flow in multiple fiscal periods in our recent history and we may continue to have negative cash flow in the future as we continue to incur increased research and development, sales and marketing, and general and administrative expenses, along with acquisition expenses. Our business will also require significant amounts of working capital to support our growth. Therefore, we may not achieve sufficient revenue growth to generate positive future cash flow and may need to raise additional capital from investors to achieve our future growth. An inability to generate positive

cash flow for the foreseeable future or raise additional capital on reasonable terms may decrease our viability. Our acquisition brings higher costs and overheads which may increase financing requirements.

The demand for batteries in the transportation and other markets depends on the continuation of current trends resulting from dependence on fossil fuels. Extended periods of low gasoline prices could adversely affect demand for electric and hybrid-electric vehicles.

We believe that much of the present and projected demand for advanced batteries in the transportation and other markets results from the price of oil, the dependency of the United States on oil from unstable or hostile countries, government regulations and economic incentives promoting fuel efficiency and alternate forms of energy, as well as the belief that climate change results in part from the burning of fossil fuels. If the cost of oil decreased significantly, the outlook for the long-term supply of oil to the United States improved, the government eliminated or modified its regulations or economic incentives related to fuel efficiency and alternate forms of energy, or if there is a change in the perception that the burning of fossil fuels negatively impacts the environment, the demand for our batteries could be reduced, and our business and revenue may be harmed.

Gasoline prices have been volatile, and this continuing volatility is expected to persist. Lower gasoline prices over extended periods of time may lower the perception in government and the private sector that cheaper, more readily available energy alternatives should be developed and produced. If gasoline prices remain at deflated levels for extended periods of time, the demand for hybrid and electric vehicles may decrease, which would have an adverse effect on our business. Recently gasoline prices have decreased significantly and it is possible that this price deflation will continue for a long period of time and have a material adverse effect on ElectroVaya's business.

Our principal competitors have, and any future competitors may have, greater financial and marketing resources than we do, and may develop batteries or other technologies similar or superior to ours or otherwise compete more successfully than we do.

Competition in the battery industry is intense. The industry consists of major domestic and international companies, most of which have existing relationships in the markets into which we sell as well as financial, technical, marketing, sales, manufacturing, scaling capacity, distribution and other resources, and name recognition substantially greater than ours. With respect to large energy storage systems specifically, this is a new product offering for the Company, and competition for sales of such products includes both battery companies listed elsewhere and large multinational companies such as General Electric, Siemens, and Hitachi, and ElectroVaya may not be able to compete with such entities due to inability to match scale, expertise, geographical reach, or other factors. These companies may develop batteries or other technologies that perform as well as or better than our batteries, activities into which the Company has limited knowledge and visibility. We believe that our primary battery competitors are existing suppliers of cylindrical lithium-ion, nickel cadmium, nickel metal-hydride and in some cases, non-starting/lighting/ignition lead-acid batteries. Potential customers may choose to do business with our more established competitors, because of their perception that our competitors are more stable, are more likely to complete various projects, can scale operations more quickly, have greater manufacturing capacity, are more likely to continue as a going

concern, and may lend greater credibility to any joint venture. If we are unable to compete successfully against manufacturers of other batteries or technologies in any of our targeted applications, our business could suffer, and we could lose or be unable to gain market share.

Our failure to raise additional capital necessary to expand our operations and invest in our products and manufacturing facilities could reduce our ability to compete successfully.

We may require additional capital in the future and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our shareholders may experience significant dilution of their ownership interests, and the per-share value of our common shares could decline. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness and force us to maintain specified liquidity or other ratios. We also seek German, Canadian and U.S. federal, provincial and state grants, loans and tax incentives, some of which we intend to use to expand our operations. We may not be successful in obtaining these funds or incentives. If we need additional capital and cannot raise or otherwise obtain it on acceptable terms, we may not be able to, among other things:

- develop or enhance our products or introduce new products;
- continue to expand our development, sales and marketing and general and administrative organizations and manufacturing operations;
- attract top-tier companies as customers or as our technology and product development partners;
- acquire complementary technologies, products or businesses;
- expand our operations, in Canada, Germany or internationally;
- expand and maintain our manufacturing capacity;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

From time to time, the Company may enter into contracts or other arrangements with customers, and may disclose estimates of future sales and revenue associated with such contracts or arrangements. Contracts with our customers typically do not provide for firm price or volume commitments, or “take or pay” arrangements with respect to product orders. As a result, our business development and partnering efforts may fail to generate revenue in meaningful amounts, or at all, and actual revenue generated from any contract, if any, may be materially less than estimated and announced.

From time to time, the Company will negotiate sales or supply contracts for its products. Typically, such contracts provide for a master framework for sales to a customer under which product will be sold pursuant to purchase orders, but without any minimum volumes or other purchase or payment obligations under the contract. Therefore the Company is subject to the

requirements of such customer as to if, as, when, and in what volume they wish to ultimately purchase product.

From time to time, the Company may estimate future revenue expectations based on forecasts for orders during the life of such contract provided to the Company by the customers, and may announce such expectations publicly. However, execution of the orders remains solely in the discretion of the customers. Accordingly, ElectroVaya's actual revenues under any contract or other customer arrangement could be materially less than initially estimated or announced. Any such customer order forecasts constitute forward-looking information of the customer, and the Company does not have knowledge of the material factors or assumptions used by the customers to develop the order forecasts, and cannot assess their reliability. The Company also does not have the ability to monitor the performance of the customers' business in order to confirm that the volumes initially represented by them in any forecasts remain valid. If such forecasts do not remain valid, or if firm irrevocable orders are not obtained, the Company's potential estimated revenues could be materially and adversely impacted, which could have a material effect on its business and results of operations.

The actual results of the Company may differ materially from the expected results announced based on arrangements with customers that are not definitive agreements. The Company may not be able to fulfill certain requirements of customer arrangements.

From time to time, the Company may enter into and announce understandings or other arrangements other than contracts with customers. Any understandings or other arrangements may be subject to additional risks including that the arrangements may still be subject to negotiation and there is no assurance a definitive agreement will be reached, or that if such agreement is reached, such agreement will be on the same terms as disclosed in the understanding. For example, product specifications may not yet have been agreed to and therefore a definitive agreement cannot be entered into, nor deliveries commenced until product specifications are agreed and a definitive arrangement is signed. Any definitive agreement with a customer, if entered into at all, may be on terms materially different than as disclosed in any announcement of an understanding or other arrangement that is not a definitive agreement. The actual results of the Company's business may be materially different than as expected pursuant to any understanding that is not a definitive agreement, therefore undue reliance should not be placed on any agreement that is not a definitive agreement.

ElectroVaya occasionally receives purchase orders that contain a series of milestones or deliverables, all or a portion of which may need to be completed in serial fashion before each subsequent activity and revenue generating milestones can be achieved. If each required milestone is not achieved, the entire amount of the purchase order may not be realized.

We may not be able to successfully recruit and retain skilled employees, particularly scientific, technical and management professionals.

We believe that our future success will depend in large part on our ability to attract and retain highly skilled technical, managerial and marketing personnel who are familiar with our key customers and experienced in the battery industry. Industry demand for such employees, especially employees with experience in battery chemistry and battery manufacturing processes exceeds the number of personnel available, and the competition for attracting and retaining these

employees, is intense. This competition will intensify if the advanced battery market continues to grow, possibly requiring increases in compensation for current employees over time. We compete in the market for personnel against numerous companies, including larger, more established competitors who have significantly greater financial resources than we do and may be in a better financial position to offer higher compensation packages to attract and retain human capital. We cannot be certain that we will be successful in attracting and retaining the skilled personnel necessary to operate our business effectively in the future. Because of the highly technical nature of our batteries and battery systems, the loss of any significant number of our existing engineering and project management personnel could have a material adverse effect on our business and operating results.

Litarion is a unionized workplace, and therefore we may experience difficulty negotiating cost-effective collective bargaining agreements, and may face business disruption due to labour unrest.

The Company is dependent on its workforce to operate its business, a material portion of which depends on Litarion. The Company endeavours to maintain good relations with its workforce in order to minimize the possibility of strikes, lockouts and other stoppages at its work sites. However, relations between the Company and its employees may be impacted by changes in labour relations that may be introduced by, among other things, employee groups, union actions, and the relevant governmental authorities in whose jurisdictions the Company carries on business. Any work stoppages due to labour unrest may have a material effect on the Company's business and results of operations.

Our working capital requirements involve estimates based on demand expectations and may decrease or increase beyond those currently anticipated, which could harm our operating results and financial condition.

In order to fulfill the product delivery requirements of our customers, we plan for working capital needs in advance of customer orders. As a result, we base our funding and inventory decisions on estimates of future demand. If demand for our products does not increase as quickly as we have estimated or drops off sharply, our inventory and expenses could rise, and our business and operating results could suffer. Alternatively, if we experience sales in excess of our estimates, our working capital needs may be higher than those currently anticipated. Our ability to meet this excess customer demand depends on our ability to arrange for additional financing for any ongoing working capital shortages, since it is likely that cash flow from sales will lag behind these investment requirements.

Laws regulating the manufacture or transportation of batteries may be enacted which could result in a delay in the production of our batteries or the imposition of additional costs that could harm our ability to be profitable.

Laws and regulations exist today, and additional laws and regulations may be enacted in the future, which impose environmental, health and safety controls on the storage, use and disposal of certain chemicals and metals used in the manufacture of lithium-ion batteries. Complying with any laws or regulations could require significant time and resources from our technical staff and possible redesign of one or more of our products, which may result in substantial expenditures and delays in the production of one or more of our products, all of which could harm our

business and reduce our future profitability. The transportation of lithium and lithium-ion batteries is regulated both domestically and internationally. Compliance with these regulations, when applicable, increases the cost of producing and delivering our products.

Electrovaya does not have a collaborative partner to assist it in the development of its batteries, which may limit its ability to develop and commercialize its products on a timely basis.

Electrovaya believes that the formation of strategic partnerships will be critical for the Company to meet its business objectives. It will continue to seek arrangements with potential partners to mitigate development and commercialization risks going forward, balanced by its objective to maximize market share and penetration by not entering into exclusivity arrangements with a single partner.

The Company expects to continue to incur significant costs and invest considerable resources designing and testing batteries for use with, or incorporation into, specific products, which may not translate into revenue for long periods of time, or ever.

The development by the Company of new applications for its rechargeable batteries is a complex and time-consuming process. New battery designs and enhancements to existing battery models can require long development and testing periods. Significant delays in new product releases or significant problems in creating new products could negatively impact the Company's revenues. Significant revenue from these investments may not be achieved for a number of years, if at all. Moreover, these applications may never be profitable and even if they are profitable, operating margins may be low.

We rely on a single facility for a significant portion of our business.

Electrovaya's German plant operated by Litarion is its main production plant for electrodes and separators. Until the establishment of multiple plants, Electrovaya will be dependent upon the operation of a single manufacturing facility and accidents or other operational problems at this facility, or at neighbouring facilities operated by other businesses, could affect its ability to deliver product to its customers and therefore its ability to generate revenues. In addition, it may be subject to environmental liabilities at its facilities, which could result in material expense and adversely affect its ability to sell or finance its facilities.

The Company manufactures products which can become hazardous in some circumstances.

Electrovaya is exposed to certain risks as a result of being in an industry that manufactures devices or products containing energy. All lithium-ion polymer batteries can become hazardous under some circumstances. In the event of a short circuit or other physical, electrical or thermal damage to these batteries, chemical reactions may occur that release excess heat or gases, which could create dangerous situations, including fire, explosions and releases of toxic fumes. The Company's batteries may emit smoke, catch fire or emit gas, any of which may expose Electrovaya to product liability litigation. In addition, these batteries incorporate potentially hazardous materials, which may require special handling, and safety problems may develop in the future. Product failure or improper use of lithium-ion polymer battery products, such as the improper management of the charging/discharging system, may also result in dangerous situations. The identification of any health or safety concerns could affect the Company's

reputation and sales. Changes in environmental or other regulations affecting the manufacture, transportation or sale of Electrovaya's products could also adversely affect the Company's ability to manufacture or sell its products or result in increased costs or liability.

Electrovaya may be required to devote significant financial and management resources to processing and remedying warranty claims. If product liability issues arise, the Company could incur significant expenses and suffer damage to its reputation and the market acceptance of its products.

Litarion is manufacturing with the toxic solvent N-methyl-pyrrolidon, which is expensive and poses environmental challenges associated with controlling emissions.

While it is our intention to convert the Litarion production to the patented non-NMP process, the timetable is dependent upon receipt of funding for the conversion process. Processing with NMP increases the risk of harmful emissions into the environment, and is not as cost-effective as our non-NMP process. There is no certainty we will be able to fund a conversion to a non-NMP process.

Our sales volume is not assured, and we depend on a limited number of customers for a significant portion of our sales.

The Company expects to continue to sell its products directly to corporate customers, but if these parties do not purchase these products or purchase them in lower quantities or over longer time periods than expected, Electrovaya's revenue profile and cash flows may be severely affected. The Company continues to rely upon a limited number of customers for a significant portion of its sales and the loss of any customer could have a material adverse effect on its sales and operating results and make it more difficult to attract and retain other customers.

If overall market demand for clean energy declines significantly, and consumer and corporate spending for such products declines, Electrovaya's revenue growth will be adversely affected. Additionally, the Company's revenues would be unfavorably impacted if customers reduce their purchases of new products or upgrades to the Company's existing product lineup if such new offerings are not perceived to add significant new functionality or other value to prospective purchasers.

Electrovaya depends on the supply of certain raw materials and components for the manufacture of anodes, cathode and separators, the supply of which is beyond our control. Such raw materials, especially lithium salts may be in short supply. As demand for lithium-ion batteries escalates there could be significant raw material shortages and the company may be unable to produce or deliver products to its customers or meet its cost targets due to escalation of prices of its raw materials.

Lithium salts have escalated in price as the demand for lithium-ion batteries increases, and the development of additional lithium salt supply to meet demand is not assured. In addition, Electrovaya's battery management systems contain electronics and micro-chips. Prices for raw materials critical to the Company's products could continue to escalate, and the price and delivery of electronic components and micro-chips can have high volatility. If the Company is unable to source critical raw materials and components in a cost-effective manner or at all, the

Company may not be able to produce its products in the anticipated volume or at all, or charge a competitive price for its products, which could have a material adverse effect on its business and results of operations.

The Definitive Agreements between Electrovaya and its customers are subject to risks.

The definitive agreements between Electrovaya and its customers (collectively the “**Contracts**”) are subject to a number of risks, including: (i) no sales are assured under the Contracts and no firm irrevocable commitments have been obtained by Electrovaya under the Contracts or if firm irrevocable commitments are obtained the customer may not honour such commitments or may seek to re-negotiate or defer such commitments; (ii) most of the Contracts do not provide for a minimum contracted volume, and therefore, Electrovaya is subject to the requirements of its customers as to if, as and when and in what volume they wish to ultimately purchase; (iii) Electrovaya’s estimation of revenue is calculated based on the expectations and forecasts for orders during the life of the contract provided to Electrovaya by the customers (the “**Estimates**”) which orders are solely at the discretion of the customers - accordingly the actual revenues of Electrovaya under the Contracts could be materially less than initially estimated as the Contracts are not, unless otherwise disclosed by Electrovaya, “take or pay” nor do they provide for a minimum contracted volume; (iv) the Estimates constitute forward-looking information and Electrovaya does not have knowledge of (X) the material factors or assumptions used by the customers to develop the Estimates or of their reliability, or (Y) the ability to monitor the performance of the business of the customers in order to confirm that the volumes initially represented by them in the Estimates remain valid; and (v) if the 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.

Letters of Intent and Memorandums of Understanding Entered into by Electrovaya are non-binding and no definitive agreements may be executed.

Non-binding letters of intent and memorandum of understanding (“**MoUs**”) entered into by Electrovaya are subject to a number of risks including: (i) the arrangements are still in the negotiation phase and there is no assurance a definitive agreement will be reached or if reached, such agreement will be on the same terms as disclosed in the MoU, (ii) product specifications have not yet been agreed and thus Electrovaya cannot enter into a definitive agreement nor commence deliveries until the product specifications are agreed and a definitive arrangement is signed; (iii) no sales are assured under the MoUs and no firm irrevocable commitments have been obtained from the potential customer; and (iv) the MoUs and any definitive agreement entered into in furtherance thereof, may be subject to the same risk factors as the Contracts.

Our international operations and sales activities subject us to a number of risks, including unfavorable political, regulatory, labor and tax conditions.

Risks inherent to international operations and sales, include, but are not limited to, the following:

- difficulty in enforcing agreements, judgments and arbitration awards in foreign legal systems;

- impediments to the flow of foreign exchange capital payments and receipts due to exchange controls instituted by certain foreign governments and the fact that the local currencies of these countries are not freely convertible;
- inability to obtain, maintain or enforce intellectual property rights;
- changes in general economic and political conditions;
- changes in foreign government regulations and technical standards, including additional regulation of rechargeable batteries, power technology, or the transport of lithium or phosphate, which may reduce or eliminate our ability to sell or license in certain markets;
- requirements or preferences of foreign nations for domestic products could reduce demand for our products;
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive; and
- longer payment cycles typically associated with international sales and potential difficulties in collecting accounts receivable, which may reduce the future profitability of foreign sales.

Our business in foreign jurisdictions requires us to respond to rapid changes in market conditions in these countries. Our overall success as a global business depends on our ability to succeed in different legal, regulatory, economic, social and political situations and conditions. We may not be able to develop and implement effective policies and strategies in each foreign jurisdiction where we do business.

We outsource certain production items, which may pose associated risks to our business.

Electrovaya outsources certain production items in the normal course of its operations. Outsourcing has inherent risks, including the lack of application of internal quality assurance processes, potential loss of control of the supply chain, potential supplier credit risk, and third-party product and financial liability.

Our strategic plan includes growth, which it may not be able to manage effectively.

If the Company fails to manage growth successfully, it could experience delays, cost overruns or other problems. Similarly, the Company is in a specialized industry where qualified, key personnel may be difficult to retain or replace on a cost-effective basis.

The shift into large energy storage product lines exposes us to elevated levels of system failure and therefore reputational and product liability risk, as larger products have longer lives and greater voltage capacities, and are therefore relied on more heavily.

Electrovaya has started building and delivering large MWh sized energy storage systems for grid energy storage, which operate at elevated voltages of over 400 volts. Safety concerns are further heightened in these systems as they are necessarily larger and with greater voltages, yet are

contained in a small space. Furthermore, these systems are for expected use in utilities and other electrical energy delivery applications where typical service life is longer than automotive or similar applications. There is a risk that our systems will not meet utility and similar industry standards.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our shares adversely, our share price and trading volume could decline.

The trading market for our common shares will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our shares adversely, or provide more favorable relative recommendations about our competitors, our share price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

We are exposed to risks associated with the fluctuation of currency values.

The Company is exposed to foreign currency risk. The Company's functional currency is the Canadian dollar and a majority of its revenue is derived in Euro. Purchases are denominated in Canadian dollars, United States dollars, Euro and Norwegian krone. The majority of the Company's operations are located primarily in Germany. Any fluctuations in the value of any of these currencies relative to the Canadian dollar or to each other may result in a material effect on the results of the Company's operations.

Our share price may be volatile.

The market price of our common shares could be subject to significant fluctuations, and it may decline below the price at which you purchased it. Market prices for securities of early stage companies have historically been particularly volatile. As a result of this volatility, you may not be able to sell your common shares at or above the price you paid. Some of the factors that may cause the market price of our common shares to fluctuate include:

- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- fluctuations in our recorded revenue, even during periods of significant sales order activity;
- changes in estimates of our financial results or recommendations by securities analysts;
- failure of any of our products to achieve or maintain market acceptance;
- product liability issues involving our products or our competitors' products;
- changes in market valuations of similar companies;
- success of competitive products or technologies;

- changes in our capital structure, such as future issuances of securities or the incurrence of debt;
- announcements by us or our competitors of significant services, contracts, acquisitions or strategic alliances;
- regulatory developments in Canada, the United States or foreign countries;
- litigation involving us, our general industry or both;
- additions or departures of key personnel;
- investors' general perception of us and our business; and
- changes in general economic, industry and market conditions.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common shares could decline for reasons unrelated to our business, financial condition or results of operations. The occurrence of any of the foregoing, without limitation, could cause the trading price of our shares to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common shares in the foreseeable future. Consequently, investors may need to rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common shares.

Adverse business or financial conditions affecting the automobile and energy storage industries may have a material adverse effect on our development and marketing partners and our battery business.

Our financial results may vary significantly from period-to-period due to the long and unpredictable sales cycles for some of our products and changes in the mix of products we sell during a period, which may lead to volatility in our operating results and share price.

Much of our business depends on and is directly affected by the general economic state of Canada, Germany and the United States and the global energy storage industry. Possible effects could include reduced spending on alternative energy systems, a delay in the introduction of new, or the cancellation of new and existing, hybrid and electric vehicles and programs, and a delay in the conversion of existing batteries to lithium-ion batteries, each of which would have a material adverse effect on our business.

The size and timing of our revenue from sales to our customers is difficult to predict and is market dependent. Our sales efforts often require us to educate our customers about the use and benefits of our products, including their technical and performance characteristics. Customers typically undertake a significant evaluation process that has in the past resulted in a lengthy sales

cycle for us, typically many months. In some markets such as the transportation market, there is usually a significant lag time between the design phase and commercial production. We spend substantial amounts of time and money on our sales efforts and there is no assurance that these investments will produce any sales within expected time frames or at all. Given the potentially large size of battery development and supply contracts, the loss of or delay in the signing of a contract or a customer order could reduce significantly our revenue in any period. Since most of our operating and capital expenses are incurred based on the estimated number of design wins and their timing, they are difficult to adjust in the short term. As a result, if our revenue falls below our expectations or is delayed in any period, we may not be able to reduce proportionately our operating expenses or manufacturing costs for that period, and any reduction of manufacturing capacity could have long-term implications on our ability to accommodate future demand.

Our profitability from period-to-period may also vary significantly due to the mix of products that we sell in different periods. As we expand our business we expect to sell new battery and battery system products into new markets and applications. These products are likely to have different cost profiles and will be sold into markets governed by different business dynamics. Consequently, sales of individual products may not necessarily be consistent across periods, which could affect product mix and cause gross and operating profits to vary significantly.

As a result of these factors, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. Moreover, our operating results may not meet expectations of equity research analysts or investors. If this occurs, the trading price of our common shares could fall substantially either suddenly or over time.

We are dependent upon customers who manufacture their own finished products for our sales, and the actions and risks affecting these customer may also affect us, which risks we may not be able to effectively mitigate.

To be commercially useful, battery products must be integrated into products manufactured by customers, such as OEMs. We can offer no guarantee that such customers will manufacture appropriate, durable or safe products incorporating our products. Any integration, design, manufacturing or marketing problems encountered by such OEMs could adversely affect our reputation and therefore the market for our products and our financial results. The Company does not have visibility into the operating and business processes of its customers.

4. Dividends

We have never declared or paid any dividends on our common shares in the past, however, we may declare and pay dividends on our common shares in the future depending upon our financial performance.

5. Capital Structure

Our authorized share capital consists of an unlimited number of common shares. Holders of common shares are entitled to receive notice of any meetings of our shareholders, to attend and to cast one vote per common share at all such meetings. The holders of our common shares are

entitled to vote at all meetings of our shareholders, and each common share carries the right to one vote in person or by proxy. The holders of the common shares are also entitled to receive any dividends we may declare, and to receive our remaining property upon liquidation, dissolution or wind-up.

6. Market for Shares

Our common shares are listed for trading on the Toronto Stock Exchange under the symbol “EFL” and are quoted for trading on the OTCQX International market under the symbol “EFLVF”. The table below sets forth information relating to the trading of the common shares on the TSX for the months indicated.

Month	High (C\$)	Low (C\$)	Volume Traded
2016/09	3.87	2.96	4,911,645
2016/08	3.97	2.83	7,732,445
2016/07	4.34	3.07	12,714,801
2016/06	4	1.45	25,814,819
2016/05	1.59	0.87	9,795,478
2016/04	1.54	1.08	8,194,877
2016/03	1.19	0.8	3,534,741
2016/02	0.88	0.67	1,106,874
2016/01	0.85	0.64	1,131,615
2015/12	0.84	0.63	2,019,402
2015/11	0.69	0.46	765,016
2015/10	0.73	0.64	476,887

7. Directors and Officers

The following table sets forth the names and municipalities of residence of our directors and officers, the position they hold with us and their principal occupation during the last five years:

Name, Office (if any) and Principal Occupation	Director Since	Common Shares Beneficially Owned	Stock Options Held
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	Director Since	Common Shares Beneficially Owned	Stock Options Held
Dr. Sankar Das Gupta, Mississauga, Ontario, Canada Chairman of the Board, President and Chief Executive Officer of the Corporation	1996	45,622,854	1,100,000
Dr. Bejoy Das Gupta ⁽²⁾ , Washington, D.C., U.S.A., Chief Economist, Asia, Institute of International Finance	1999	99,672	54,000
Dr. Alexander McLean ⁽¹⁾⁽²⁾⁽³⁾ , Oakville, Ontario, Canada, Professor Emeritus, University of Toronto, Department of Metallurgy and Materials Science; Adjunct Professor, Ryerson University; Consulting Professor, Wuhan Iron and Steel University in the People's Republic of China; Adjunct Professor, Chiba Institute of Technology, Japan	2006	21,000	54,000
Ralph E. Lean, Q.C. ⁽¹⁾ , Toronto, Ontario, Canada, Counsel Gowlings Lafleur Henderson LLP; Director, theScore, Inc. (formerly Score Media Inc.); Governor, B'nai Brith Canada; Trustee, Justin Eves Foundation; Governor, Portage Program for Drug Dependencies Inc.; Ontario Teachers' Pension Plan Board (retired member); former Director, World Film Festival of Toronto; former Trustee, Molson Indy; Honorary Consul to the Kingdom of Morocco; Distinguished Counsel in Residence at Ryerson University	2014	-	30,000
Richard P. Halka, Mississauga, [Toronto] Ontario, Canada, Secretary of the Corporation since July, 2015; Chief Financial Officer since July 2015; President & CEO, Private Investment Group of Companies	2015	-	200,000

(1) Audit Committee member

(2) Corporate Governance and Compensation Committee member

(3) Safety and Environment Committee member

All directors hold office until the close of the next annual meeting of the shareholders or until their successors are duly elected or appointed.

As of December 23, 2016, the directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 45,743,526 or 52% of the issued and outstanding common shares of the Company.

8. Transfer Agent and Registrar

The transfer agent and registrar for the common shares of the Company is Canadian Stock Transfer Company Inc. at its principal office in Toronto, Ontario.

9. Legal Proceedings and Regulatory Actions

The Company is not involved in any legal proceeding or regulatory action which it expects would have a material effect on the Company.

10. Interest of Management and Others in Material Transactions

No director, executive officer, person or company that beneficially owns or controls more than 10% of any class of the Company's outstanding voting securities, or any associates or affiliates of persons had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the company.

11. Material Contracts

The Company does not have any material contracts that were required to be filed under section 12.2 of National Instrument 51-102 - *Continuous Disclosure Obligations*.

12. Interests of Experts

The auditor of the Company is Goodman and Associates LLP ("Goodman and Associates"), Chartered Accountants, Suite 200, 45 St. Clair Ave. West, Toronto, Ontario M4V 1K6. There are no registered or beneficial interests, direct or indirect, in any securities or other property of the Company or any of its subsidiaries held or received by Goodman and Associates.

13. Additional Information

Additional information including directors' and officers' remuneration and indebtedness, principal holders of our securities, securities authorized for issuance under equity compensation plans, and interests of insiders in material transactions, where applicable, is contained in the management information circular for our most recent annual meeting of shareholders that involved the election of directors. Additional information is also included in our consolidated financial statements and MD&A for our most recently completed financial year. The foregoing and other information about the Company can be found on the SEDAR website for Canadian regulatory filings at www.sedar.com and on the Company's website at www.Electrovaya.com.

Audit Committee

The text of the Company's Audit Committee Charter is appended as Appendix "A".

The members of the Audit Committee of the Company are indicated in the listing of Directors in the section above entitled "Directors and Officers." All members of the Audit Committee are financially literate and independent.

In addition to carrying out its statutory legal responsibilities (including review of the Corporation's annual consolidated financial statements prior to their presentation to the Board) the Audit Committee reviews all financial reporting, including interim financial statements and management's discussion and analysis. The Audit Committee meets or confers with the Corporation's external auditors and with members of management at least four times a year (and more frequently as necessary) to assist it in the effective discharge of its duties. The Audit Committee also recommends to the Board the auditors to be appointed as the Corporation's auditors at the annual meeting and the terms of their remuneration.

Pursuant to the Audit Committee's charter, any non-audit services to be provided to the Corporation must be approved by the Audit Committee prior to the auditors' engagement. Non-audit services are approved on an engagement-by-engagement basis.

The following summarizes the professional services rendered by Goodman and Associates to the Company for the years ended September 30, 2016 and September 30, 2015:

<i>Audit Fees</i>	<i>2016*</i>	<i>2015*</i>
Audits for the respective fiscal years Goodman and Associates, including quarterly reviews	\$ 90,710	\$ 75,522
Additional year end audit procedures	4,913	8,058
Total	<u>\$ 95,623</u>	<u>\$ 80,580</u>
<i>Audit-related Fees</i>	Nil	Nil
<i>Tax Fees</i>		
Year-end tax returns preparation, NTR preparation, preparation and filing of required tax forms Goodman and Associates	Nil	Nil
<i>All other Fees</i>	Nil	Nil
Total fees	<u>\$ 95,623</u>	<u>\$ 80,580</u>

* Converted into US dollars at the rate in effect as at September 30, 2016 and 2015 respectively (2016:1.3229Cdn dollars per US dollar; 2015:1.2410 Cdn dollars per US dollar).

APPENDIX “A”
AUDIT COMMITTEE CHARTER
ELECTROVAYA INC.

1. GENERAL

It is the policy of Electrovaya Inc. (the “Corporation”) to establish and maintain an Audit Committee (the “Committee”), composed entirely of independent directors, to assist the board of directors (the “Board”) in carrying out its oversight responsibility for the Corporation’s internal controls, financial reporting and risk management processes. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board, including administrative support. If determined necessary by the Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

2. COMPOSITION OF THE COMMITTEE

- 2.1** The Committee shall consist of at least three directors. The Board shall appoint the members of the Committee. The Board shall appoint one member of the Committee to be the chair of the Committee (the “Chair”).
- 2.2** Each director appointed to the Committee by the Board shall be an outside director who is unrelated. An outside, unrelated director is a director who is independent of management and is free from any interest, any business or other relationship which could, or could reasonably be perceived, to materially interfere with the director’s ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings. In determining whether a director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.
- 2.3** Each member of the Committee shall be “financially literate”. In order to be financially literate, a director must be, at a minimum, able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.
- 2.4** A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

3. MEETINGS OF THE COMMITTEE

- 3.1** The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair and whenever a meeting is requested by the Board, a member of the Committee, the auditors, or a senior

officer of the Corporation. Meetings of the Committee shall also correspond with the review of the quarterly financial statements and management's discussion and analysis.

- 3.2** Notice of each meeting of the Committee shall be given to each member of the Committee and to the auditors, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee. However, no notice of a meeting shall be necessary if all of the members are present either in person or by means of telephone or web conference, or other communication equipment, or if those absent waive notice or otherwise signify their consent to the holding of such meeting.
- 3.3** Notice of a meeting of the Committee shall:
 - 3.3.1** be in writing;
 - 3.3.2** state the nature of the business to be transacted at the meeting in reasonable detail;
 - 3.3.3** to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - 3.3.4** be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Committee may permit.
- 3.4** A quorum for the transaction of business at a meeting of the Committee shall consist of a majority of the members of the Committee. However, it shall be the practice of the Committee to require review, and, if necessary, approval of certain important matters by all members of the Committee.
- 3.5** Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts, by facsimile or other electronic signature) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.
- 3.6** A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
- 3.7** In the absence of the Chair, the members of the Committee shall choose one of the members present to be chair of the meeting. In addition, the members of the

Committee shall choose one of the persons present to be the secretary of the meeting.

- 3.8** The chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Committee; however, the Committee (i) shall meet with the external auditors independent of management, as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
- 3.9** The Committee shall hold an in-camera session without any senior officers present at each meeting of the Committee, unless such a session is not considered necessary by the members present.
- 3.10** Minutes shall be kept of all meetings of the Committee and shall be signed by the chair and the secretary of the meeting.

4. COMMITTEE RESPONSIBILITIES

The Committee's primary responsibilities are to:

- 4.1** identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
- 4.2** monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- 4.3** monitor the independence and performance of the Corporation's external auditors;
- 4.4** deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
- 4.5** directly oversee the external audit process and results;
- 4.6** provide an avenue of communication among the external auditors, management and the Board;
- 4.7** ensure that there is an appropriate standard of corporate conduct relating to the internal controls and financial reporting of the Corporation;
- 4.8** ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual; and
- 4.9** ensure that an appropriate code of conduct and ethics (the "Code of Conduct") is in place and understood by employees, officers and directors of the Corporation.

5. DUTIES

- 5.1** The Committee shall:

- 5.1.1** review the audit plan with the Corporation's external auditors and with management;
- 5.1.2** discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
- 5.1.3** review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
- 5.1.4** review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- 5.1.5** review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
- 5.1.6** consider whether the Corporation's financial disclosures are complete, accurate, prepared in accordance with IFRS and fairly present the financial position of the Corporation;
- 5.1.7** obtain timely reports from the external auditors describing critical accounting policies and practices applicable to the Corporation, the alternative treatment of information in accordance with IFRS that were discussed with the CFO of the Corporation, the ramifications thereof, and the external auditor's preferred treatment, and should review any material written communications between the Corporation and the external auditor;
- 5.1.8** review and discuss with senior officers of the Corporation any guidance being provided on the expected future results and financial performance of the Corporation, and provide its recommendations on such guidance to the Board;
- 5.1.9** review the procedures which are in place for the review of the public disclosure by the Corporation of financial information extracted or derived from the financial statements of the Corporation and periodically assess the adequacy of such procedures;
- 5.1.10** review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;
- 5.1.11** consider and review with management, the internal control memorandum or management letter containing the recommendations of the external

auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;

- 5.1.12** review with financial management and the external auditors the quarterly unaudited financial statements and management's discussion and analysis before release to the public;
- 5.1.13** before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses or securities offering documents (including documents incorporated by reference therein), annual reports, annual information forms, management's discussion and analysis and press releases containing financial information;
- 5.1.14** review, consider and if appropriate, approve any transactions between the Corporation and related parties of the Corporation;
- 5.1.15** oversee any of the financial affairs of the Corporation, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;
- 5.1.16** evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditors or the discharge of the external auditors when circumstances are warranted;
- 5.1.17** consider the recommendations of management in respect of the appointment of the external auditors;
- 5.1.18** pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors, or the external auditors of the Corporation's subsidiary entities (if any);
- 5.1.19** approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and consider the potential impact of such services on the independence of the external auditors;
- 5.1.20** review the fees paid by the Corporation to the external auditor in respect of audit and non-audit services on an annual basis;
- 5.1.21** when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Instrument 51-102 — Continuous Disclosure Obligations (or any successor instrument) of the Canadian

Securities Administrators and the planned steps for an orderly transition period;

5.1.22 establish and maintain procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

5.1.23 review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the external auditors and any former external auditors;

5.1.24 review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors; and

5.1.25 review with management at least annually, the financing strategy and plans of the Corporation.

5.2 The Committee has the authority to:

5.2.1 inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates (to the extent necessary);

5.2.2 discuss with the management of the Corporation, its subsidiaries and affiliates and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;

5.2.3 engage independent counsel and other advisors as it determines necessary to carry out its duties;

5.2.4 to set and pay the compensation for any advisors employed by the Committee;

5.2.5 conduct any investigation considered appropriate by the Committee; and

5.2.6 at any meeting, request the presence of the auditor, a member of senior management or any other person who could contribute to the subject of the meeting.

5.3 The Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

6. CHAIR OF THE COMMITTEE

6.1 The Board will appoint one member who is qualified for such purpose to be Chair, to serve until the next annual election of directors or otherwise until his or her successor is duly appointed. If, following the election of directors, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

6.2 The Chair should:

6.2.1 provide leadership to the Committee and oversee the functioning of the Committee;

6.2.2 chair meetings of the Committee (unless not present), including in-camera sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations and decisions of the Committee, and otherwise at such times and in such manner as the Chair considers advisable;

6.2.3 ensure that the Committee meets at least quarterly in each financial year of the Corporation, and otherwise as is considered advisable;

6.2.4 in consultation with the Chairman of the Board and the members of the Committee, establish dates for holding meetings of the Committee;

6.2.5 set the agenda for each meeting of the Committee, with input from other members of the Committee, the Chairman of the Board, and any other appropriate individuals;

6.2.6 ensure that Committee materials are available to any director upon request;

6.2.7 act as a liaison, and maintain communication, with the Chairman of the Board, and the Board to co-ordinate input from the Board and to optimize the effectiveness of the Committee;

6.2.8 report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;

6.2.9 assist the members of the Committee to understand and comply with the responsibilities contained in this mandate;

6.2.10 foster ethical and responsible decision making by the Committee;

6.2.11 consider complaints covered by the Policy, undertake an investigation of the violation or suspected violation of the Code of Conduct or as defined in the Policy, and promptly report to the Committee and the Board any complaint that may have material consequences for the Corporation and,

for each financial quarter of the Corporation, the Chair should report to the Committee and to the external auditors, in the aggregate, the number, the nature and the outcome of the complaints received and investigated under the Policy;

- 6.2.12** together with the Board, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;
- 6.2.13** ensure appropriate information is provided to the Committee by the senior officers of the Corporation to enable the Committee to function effectively and comply with this mandate;
- 6.2.14** ensure that appropriate resources and expertise are available to the Committee;
- 6.2.15** ensure that the Committee considers whether any independent counsel or other experts or advisors retained by the Committee are appropriately qualified and independent in accordance with the applicable laws;
- 6.2.16** facilitate effective communication between the members of the Committee and the senior officers of the Corporation, and encourage an open and frank relationship between the Committee and the external auditor;
- 6.2.17** attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Corporation to respond to any questions from shareholders that may be asked of the Committee; and
- 6.2.18** perform such other duties as may be delegated to the Chair by the Committee or the Board from time to time.

7. REMOVAL AND VACANCIES

Any member of the Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as he or she resigns or ceases to meet the qualifications set out above. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board on the recommendation of the Committee. If a vacancy exists on the Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

8. ASSESSMENT

At least annually, the Committee will assess its effectiveness in fulfilling its responsibilities and duties as set out in this Mandate and in a manner consistent with the Board mandate to be adopted by the Board.

9. REVIEW AND DISCLOSURE

The Committee will review this Mandate at least annually and submit it to the Board for approval with such further proposed amendments as it deems necessary and appropriate.

10. CODE OF CONDUCT AND ETHICS

The Committee should:

- 10.1** review periodically and recommend to the Board any amendments to the Code of Conduct, and monitor the policies and procedures established by the senior officers to ensure compliance with the Code of Conduct;
- 10.2** review actions taken by the senior officers to ensure compliance with the Code of Conduct, the results of the confirmations and the responses to any violations of the Code of Conduct;
- 10.3** monitor the disclosure of the Code of Conduct, any proposed amendments to the Code of Conduct and any waivers to the Code of Conduct granted by the Board; and
- 10.4** review the policies and procedures instituted to ensure that any departure from the Code of Conduct by a director or senior officer which constitutes a “material change” within the meaning of applicable laws is appropriately disclosed in accordance with applicable laws.

11. ACCESS TO OUTSIDE ADVISORS

The Committee may retain any outside advisor, including an executive search firm, at the expense of the Corporation at any time and has the authority to determine any such advisor’s fees and other retention terms. The Committee, and any outside advisors retained by it, will have access to all records and information relating to the Corporation and its subsidiaries which it deems relevant to the performance of its duties.