

ELECTROVAYA INC.

(Formerly Electrofuel Inc.)

Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	March 31, 2002 (Unaudited)	September 30, 2001 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 24,626	\$ 2,436
Short-term investments	-	28,269
Accounts receivable	752	301
Investment tax credits recoverable	643	652
Goods and Services Tax receivable	95	167
Inventories under consignment	100	-
Inventories (note 3)	3,428	1,836
Prepaid expenses and other	214	476
	29,858	34,137
Capital assets	15,186	15,501
	\$ 45,044	\$ 49,638
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 560	\$ 1,110
Income taxes payable	-	37
	560	1,147
Shareholders' equity		
Share capital (note 4)	63,729	63,729
Cumulative translation adjustment	(3,181)	(2,792)
Deficit	(16,064)	(12,446)
	44,484	48,491
	\$ 45,044	\$ 49,638

See accompanying notes to consolidated financial statements.

These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2001.

ELECTROVAYA INC.

(Formerly Electrofuel Inc.)

Consolidated Statements of Operations and Deficit

(Expressed in thousands of U.S. dollars

except share and per share amounts)

(Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2002	2001	2002	2001
Revenue	\$ 1,160	\$ 147	\$ 1,675	\$ 271
Cost of goods sold	1,390	-	2,049	-
Gross margin	(230)	147	(374)	271
Operating expenses				
Research and development	243	817	507	1,257
Sales and marketing	488	351	957	695
General and administrative	538	1,575	890	2,268
	1,269	2,743	2,354	4,220
Loss before the undernoted	(1,499)	(2,596)	(2,728)	(3,949)
Amortization	(870)	(155)	(1,259)	(256)
Loss from operations	(2,369)	(2,751)	(3,987)	(4,205)
Interest income	118	587	331	1,083
Gain from foreign exchange	-	525	38	508
	118	1,112	369	1,591
Net loss for the period	(2,251)	(1,639)	(3,618)	(2,614)
Deficit, beginning of period	(13,813)	(6,252)	(12,446)	(5,277)
Deficit, end of period	\$ (16,064)	\$ (7,891)	\$ (16,064)	\$ (7,891)
Loss per common share, basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.04)
Weighted average number of shares outstanding, basic and fully diluted	69,539,109	69,375,225	69,539,109	66,032,162

See accompanying notes to consolidated financial statements.

These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2001.

ELECTROVAYA INC.

(Formerly Electrofuel Inc.)
 Consolidated Statement of Cash Flows
 (Expressed in thousands of U.S. dollars)
 (Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2002	2001	2002	2001
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (2,251)	\$ (1,639)	\$ (3,618)	\$ (2,614)
Amortization which does not involve cash	870	155	1,259	256
Change in non-cash operating working capital	(693)	596	(2,389)	(655)
	(2,074)	(888)	(4,748)	(3,013)
Financing activities				
Proceeds from issue of common shares	-	-	-	30,006
Investing activities				
Additions to capital assets	(367)	(2,761)	(1,069)	(6,523)
Decrease in short-term investments	18,388	-	28,269	13,000
	18,021	(2,761)	27,200	6,477
Increase (decrease) in cash and cash equivalents	15,947	(3,649)	22,452	33,470
Effect of currency translation adjustments on cash and cash equivalents	(172)	(2,424)	(262)	(1,460)
Cash and cash equivalents, beginning of period	8,851	44,420	2,436	6,337
Cash and cash equivalents, end of period	\$ 24,626	\$ 38,347	\$ 24,626	\$ 38,347
Supplemental disclosure of cash flow information				
Income taxes paid	\$ 1	\$ -	\$ 34	\$ -
Interest received	121	622	701	938

See accompanying notes to consolidated financial statements.

These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2001.

ELECTROVAYA INC.

(Formerly Electrofuel Inc.)

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars)

(Unaudited)

(Six months ended March 31, 2002)

Notes to Financial Statements

1. Nature of operations

Electrovaya Inc. is an early stage manufacturer and marketer of advanced, high energy, rechargeable batteries based on its patented lithium ion SuperPolymer™ technology. During the period the Company increased its production and sales and expects to continue to develop its product lines and explore other potential applications using the developed technology.

The Company has no distinct operating segments and has no operating assets located outside of Canada. The Company has not experienced any seasonal variation in revenue as it has just commenced production and sales in the last fiscal year.

The Company prepares its financial statements in accordance with accounting principles generally accepted in Canada. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

2. Significant accounting policies

The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles (GAAP) for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2001.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated financial statements, except for the following:

- (i) In the first quarter of fiscal 2002, the Company adopted retroactively the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3500 "Earnings per share," which requires the use of the treasury stock method for calculating diluted earnings per share. Under this method, Electrovaya's basic loss per share is unaffected and its common share purchase options are anti-dilutive.
- (ii) In April 2001, the Company commenced production of commercial units at its new manufacturing facility in Mississauga. All of the materials, labour and overhead costs associated with the production of commercial units are included in Cost of goods sold. As production had not yet commenced in the Mississauga facility in the second quarter of 2001, there is no comparable amount for that period.

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Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars)

(Unaudited)

(Six months ended March 31, 2002)

The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary to present fairly the financial position of the Company as at March 31, 2002 and the results of operations and cash flows for the six months ended March 31, 2002 and 2001.

3. Inventories

Inventories consist of

	March 31, 2002	September 30, 2001
Raw materials	\$ 1,493	\$ 924
Work in progress	1,928	767
Finished goods	7	145
	<u>\$ 3,428</u>	<u>\$ 1,836</u>

4. Share capital

As at March 31, 2002, the Company had outstanding 69,539,109 common shares and 1,552,600 options to acquire common shares under the Company's employee incentive plan.

5. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.