

Consolidated Financial Statements  
(Expressed in thousands of U.S. dollars)

## **ELECTROVAYA INC.**

Three and six months ended March 31, 2003 (unaudited), with comparative figures for March 31, 2002 and Balance Sheet for September 30, 2002 (audited)

# ELECTROVAYA INC.

Consolidated Balance Sheets  
(Expressed in thousands of U.S. dollars)

	March 31, 2003 (Unaudited)	September 30, 2002 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 16,750	\$ 2,529
Short-term investments	-	18,089
Accounts receivable	1,106	762
Investment tax credits recoverable	406	378
Goods and Services Tax receivable	249	163
Inventories (note 3)	3,873	3,324
Prepaid expenses and other	401	113
	<u>22,785</u>	<u>25,358</u>
Capital assets	14,186	14,256
	<u>\$ 36,971</u>	<u>\$ 39,614</u>

## Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable and accrued liabilities	\$ 996	\$ 1,220
Income taxes payable	33	42
	<u>1,029</u>	<u>1,262</u>
Shareholders' equity		
Share capital (note 4)	63,729	63,729
Cumulative translation adjustment	(70)	(2,940)
Deficit	(27,717)	(22,437)
	<u>35,942</u>	<u>38,352</u>
	<u>\$ 36,971</u>	<u>\$ 39,614</u>

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, 2002.

# ELECTROVAYA 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,	
	2003	2002	2003	2002
Revenue	\$ 1,364	\$ 1,160	\$ 2,247	\$ 1,675
Cost of goods sold	1,357	1,390	2,278	2,049
Gross margin	7	(230)	(31)	(374)
Operating expenses				
Research and development	671	243	1,464	507
Sales and marketing	427	488	1,396	957
General and administrative	482	538	1,039	890
	1,580	1,269	3,899	2,354
Loss before the undernoted	1,573	1,499	3,930	2,728
Amortization	666	870	1,295	1,259
Loss from operations	2,239	2,369	5,225	3,987
Interest income	(56)	(118)	(185)	(331)
Loss from foreign exchange	196	-	240	(38)
	140	(118)	55	(369)
Net loss for the period	2,379	2,251	5,280	3,618
Deficit, beginning of period	25,338	13,813	22,437	12,446
Deficit, end of period	\$ 27,717	\$ 16,064	\$ 27,717	\$ 16,064
Loss per common share, basic and diluted	\$ 0.03	\$ 0.03	\$ 0.08	\$ 0.05
Weighted average number of shares outstanding, basic and fully diluted	69,539,109	69,539,109	69,539,109	69,539,109

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, 2002.

# ELECTROVAYA INC.

Consolidated Statements of Cash Flows  
(Expressed in thousands of U.S. dollars)  
(Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2003	2002	2003	2002
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (2,379)	\$ (2,251)	\$ (5,280)	\$ (3,618)
Amortization which does not involve cash	666	870	1,295	1,259
Change in non-cash operating working capital	(914)	(693)	(1,529)	(2,389)
	(2,627)	(2,074)	(5,514)	(4,748)
Investing activities				
Additions to capital assets	(91)	(367)	(135)	(1,069)
Decrease in short-term investments	4,140	18,388	18,089	28,269
	4,049	18,021	17,954	27,200
Increase (decrease) in cash and cash equivalents	1,422	15,947	12,440	22,452
Effect of currency translation adjustments on cash and cash equivalents	1,606	(172)	1,781	(262)
Cash and cash equivalents, beginning of period	13,722	8,851	2,529	2,436
Cash and cash equivalents, end of period	\$ 16,750	\$ 24,626	\$ 16,750	\$ 24,626
Supplemental disclosure of cash flow information				
Income taxes paid	\$ 68	\$ 1	\$ 68	\$ 34
Interest received	132	121	356	701

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, 2002.

# ELECTROVAYA INC.

Notes to Consolidated Financial Statements  
(Expressed in Thousands of U.S. dollars)  
(Unaudited)

Three months and six months ended March 31, 2003

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## 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.

The Company expects to continue to develop its product lines and explore other potential applications using the developed technology.

The Company has no operating assets located outside of Canada.

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, 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, 2003 and the results of operations and cash flows for the three months and six months ended March 31, 2003 and 2002.

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

(i) Stock-based compensation and other stock-based payments:

Effective October 1, 2002, the Company adopted the new CICA Handbook Section 3870, which requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to direct awards of stock to employees. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees with the addition of proforma information. The Company has not granted any awards during the period from October 1, 2002 to March 31, 2003 and therefore there is no proforma effect on net earnings and earnings per share information.

# ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of U.S. dollars)  
(Unaudited)

Three months and six months ended March 31, 2003

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### 3. Inventories

Inventories consist of

	March 31 2003 (Unaudited)	September 30, 2002 (Audited)
Raw materials	\$ 1,554	\$ 1,744
Work in progress	2,162	1,524
Finished goods	157	56
	<u>\$ 3,873</u>	<u>\$ 3,324</u>

### 4. Share capital

As at March 31, 2003, the Company had outstanding 69,539,109 common shares and 1,603,932 options to acquire common shares under the Company's employee incentive plan.

### 5. Research & Development

The Company has been approved for funding under the Technology Partnerships Canada initiative of Industry Canada. The funding is to support the Company's research and development efforts in fast batteries and electric vehicles. The Company will receive contributions of up to 29.7% of the specified costs of the development project, to a maximum amount of \$6.7 million. Under the terms of the agreement, an amount up to a maximum of \$31,074,661 is to be repaid by royalties charged on new revenue created from products developed commencing in 2007 through to 2013, with payment to be deferred or reduced if certain revenue thresholds are not achieved. The Company can claim amounts from January 1, 2002 and onward, and is in the process of determining these amounts.

### 6. Guarantees

Effective January 1, 2003, the Company adopted the new CICA Accounting Guideline AcG-14, which requires certain disclosures of obligations under guarantees. As at March 31, 2003 the Company has not issued any guarantees.