

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

ELECTROVAYA INC.

Three and nine months ended June 30, 2003, with comparative
figures for June 30, 2002 and Balance Sheet for September 30, 2002
(Unaudited)

ELECTROVAYA INC.

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

	June 30, 2003 (Unaudited)	September 30, 2002 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 5,448	\$ 2,529
Short-term investments	11,609	18,089
Accounts receivable	1,059	762
Investment tax credits recoverable	440	378
Goods and Services Tax receivable	38	163
Inventories (Note 3)	3,599	3,324
Prepaid expenses and other	123	113
	<u>22,316</u>	<u>25,358</u>
Capital assets	14,698	14,256
	<u>\$ 37,014</u>	<u>\$ 39,614</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,294	\$ 1,220
Income taxes payable	-	42
	<u>1,294</u>	<u>1,262</u>
Shareholders' equity		
Share capital	63,729	63,729
Cumulative translation adjustment	2,829	(2,940)
Deficit	(30,838)	(22,437)
	<u>35,720</u>	<u>38,352</u>
	<u>\$ 37,014</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 June 30,		Nine months ended June 30,	
	2003	2002	2003	2002
Revenue	\$ 778	\$ 640	\$ 3,025	\$ 2,315
Cost of goods sold	1,154	1,190	3,432	3,239
Gross margin	(376)	(550)	(407)	(924)
Operating expenses				
Research and development	728	1,194	2,192	1,702
Sales and marketing	521	643	1,917	1,600
General and administrative	438	754	1,477	1,644
	1,687	2,591	5,586	4,946
Loss before the undernoted	(2,063)	(3,141)	(5,993)	(5,870)
Amortization	(719)	(615)	(2,014)	(1,874)
Loss from operations	(2,782)	(3,756)	(8,007)	(7,744)
Interest income	140	120	325	452
Gain (loss) from foreign exchange	(479)	(288)	(719)	(250)
	(339)	(168)	(394)	202
Net loss for the period	(3,121)	(3,924)	(8,401)	(7,542)
Deficit, beginning of period	(27,717)	(16,064)	(22,437)	(12,446)
Deficit, end of period	\$ (30,838)	\$ (19,988)	\$ (30,838)	\$ (19,988)
Loss per common share, basic and diluted	\$ (0.04)	\$ (0.06)	\$ (0.12)	\$ (0.11)
Weighted average number of shares outstanding, basic and fully diluted	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 June 30,		Nine months ended June 30,	
	2003	2002	2003	2002
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (3,121)	\$ (3,924)	\$ (8,401)	\$ (7,542)
Amortization which does not involve cash	719	615	2,014	1,874
Change in non-cash operating working capital	1,041	521	(488)	(1,868)
	(1,361)	(2,788)	(6,875)	(7,536)
Investing activities				
Additions to capital assets	(46)	(189)	(181)	(1,258)
(Increase) decrease in short-term investments	(11,609)	(19,668)	6,480	8,601
	(11,655)	(19,857)	6,299	7,343
Decrease in cash and cash equivalents				
	(13,016)	(22,645)	(576)	(193)
Effect of currency translation adjustments on cash and cash equivalents				
	1,714	1,379	3,495	1,117
Cash and cash equivalents, beginning of period				
	16,750	24,626	2,529	2,436
Cash and cash equivalents, end of period				
	\$ 5,448	\$ 3,360	\$ 5,488	\$ 3,360
Supplemental disclosure of cash flow information				
Income taxes paid	\$ -	\$ -	\$ 68	\$ 34
Interest received	89	108	445	809

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 U.S. dollars)
(Unaudited)

Nine months ended June 30, 2003

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 distinct operating segments and 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 June 30, 2003 and the results of operations and cash flows for the three months and nine months ended June 30, 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 for 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 granted 25,000 stock options to its Directors in December, 2002 at \$0.68/share which vest over a three year period. The shares of the Company were \$0.30 per share at the end of the quarter, and the proforma impact of the stock option expense is \$14,000 with no impact on loss per share for the period.

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)

(Expressed in U.S. dollars)

(Unaudited)

Nine months ended June 30, 2003

3. Inventories

Inventories consist of:

Expressed in thousands of U.S.dollars	June 30, 2003 (Unaudited)	September 30, 2002 (Audited)
Raw materials	\$ 1,452	\$ 1,744
Work in progress	1,947	1,524
Finished goods	200	56
	<u>\$ 3,599</u>	<u>\$ 3,324</u>

4. Share capital

As at June 30, 2003, the Company had outstanding 69,539,000 common shares and 1,599,000 [1,603,932 as at March 31], options to acquire common shares under the Company's employee incentive plan.

5. Research and 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 \$31,075,000 is to be repaid by royalties, commencing in 2007 through to 2013, with payment to be deferred or reduced if certain revenue thresholds are not achieved. The Company's first claim for \$1,227,000 was submitted in June, 2003.

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 June 30, 2003 the Company has not issued any guarantees.

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)

(Expressed in U.S. dollars)

(Unaudited)

Nine months ended June 30, 2003

7. Related Party Transactions

The Company leases its Hanna Avenue premises in Toronto, Ontario, from a company owned by its controlling shareholders for \$209,000 per year plus GST and business tax. The lease has been renewed from January 1, 2003 to December 31, 2003 under the same terms and conditions as the previous lease. In June, 2003, an additional 11,800 square feet at \$ 80,000 per year plus GST and business tax was secured by the Company until December, 2003 with one rent-free month. This lease is under the same terms and conditions as the pre-existing lease.