

ELECTROVAYA INC.

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

	March 31, 2004 (Unaudited)	September 30, 2003 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 13,025	\$ 6,178
Short-term investments	2,643	11,415
Accounts receivable	1,242	1,047
Inventories (note 2)	3,212	2,852
Investment tax credits recoverable	415	427
Goods and Services Tax receivable	29	55
Prepaid expenses and other	211	138
	<u>20,777</u>	<u>22,112</u>
Capital assets	10,634	12,024
	<u>\$ 31,411</u>	<u>\$ 34,136</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,643	\$ 1,760
Income taxes payable	-	6
	<u>2,643</u>	<u>1,766</u>
Shareholders' equity		
Share capital (note 3)	63,729	63,729
Cumulative translation adjustment	1,615	954
Deficit	(36,576)	(32,313)
	<u>28,768</u>	<u>32,370</u>
	<u>\$ 31,411</u>	<u>\$ 34,136</u>

See accompanying notes to unaudited consolidated financial statements.

These unaudited interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2003.

ELECTROVAYA INC.

Un-audited Consolidated Statements of Operations and Deficit
(Expressed in thousands of U.S. dollars except share and per share amounts)

	Three months ended March 31,		Six months ended March 31,	
	2004	2003	2004	2003
Revenue	\$ 1,593	\$ 1,364	\$ 3,174	\$ 2,247
Cost of goods sold	1,454	1,357	2,891	2,278
Gross margin	139	7	283	(31)
Expenses				
Research and development	565	671	1,154	1,464
Government assistance (note 4)	(127)	-	(371)	-
Sales and marketing	255	427	811	1,396
General and administrative	670	482	1,380	1,039
	1,363	1,580	2,974	3,899
Loss before the undernoted	(1,224)	(1,573)	(2,691)	(3,930)
Amortization	752	666	1,521	1,295
Loss from operations	(1,976)	(2,239)	(4,212)	(5,225)
Interest income	71	56	160	185
Gain (loss) from foreign exchange	44	(196)	(211)	(240)
	115	(140)	(51)	(55)
Loss before income taxes	(1,861)	(2,379)	(4,263)	(5,280)
Income tax expense	--	--	--	--
Net loss for the period	(1,861)	(2,379)	(4,263)	(5,280)
Deficit, beginning of period	(34,715)	(25,338)	(32,313)	(22,437)
Deficit, end of period	\$ (36,576)	\$ (27,717)	\$ 36,576	\$ 27,717
Loss per common share, basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.08)
Weighted average number of shares outstanding, basic and diluted	69,539,109	69,539,109	69,539,109	69,539,109

See accompanying notes to unaudited consolidated financial statements.

These unaudited interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2003.

ELECTROVAYA INC.

Un-audited Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	Three months ended March 31,		Six months ended March 31,	
	2004	2003	2004	2003
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (1,861)	\$ (2,379)	\$ (4,263)	\$ (5,280)
Amortization which does not involve cash	752	666	1,521	1,295
Change in non-cash operating working capital	162	(914)	285	(1,529)
	(947)	(2,627)	(2,457)	(5,514)
Investing activities				
Additions to capital assets	(62)	(91)	(130)	(135)
Decrease in short-term investments	8,358	4,140	8,771	18,089
	8,296	4,049	8,641	17,954
Increase in cash and cash equivalents	7,349	1,422	6,184	12,440
Effect of currency translation adjustments on cash and cash equivalents	(292)	1,606	663	1,781
Cash and cash equivalents, beginning of period	5,968	13,722	6,178	2,529
Cash and cash equivalents, end of period (note 1 (f))	\$ 13,025	\$ 16,750	\$ 13,025	\$ 16,750
Supplemental disclosure of cash flow information				
Income taxes paid	\$ 43	\$ 68	\$ 43	\$ 68
Interest received	98	132	186	356

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, 2003

Electrovaya Inc. (the "Company"), incorporated in 1996 under the Business Corporations Act (Ontario), develops, manufactures and markets portable power technology products using its patented lithium ion SuperPolymer® technology.

1. Significant Accounting Policies

(a) Basis of presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

The disclosures contained in these unaudited interim consolidated financial statements do not include all disclosures required under Canadian generally accepted accounting principles (GAAP) for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended September 30, 2003.

The unaudited interim consolidated financial statements are based upon accounting policies consistent with those used and described in the annual consolidated financial statements, except as noted herein. The interim financial statements are not considered to be materially affected by seasonal or cyclical factors.

Management believes these unaudited interim consolidated financial statements include all adjustments, including normal recurring adjustments, necessary to present fairly the financial position of the Company as at March 31, 2004 and the results of its operations and its cash flows for the six and three months ended March 31, 2004. Results for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the entire year.

(b) Change in Accounting policy

Prior to January 1, 2004 the Company applied the fair value based method of accounting prescribed by CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, only to employee stock appreciation rights, and applied the settlement method of accounting to employee stock options. Under the settlement method, any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital and no compensation expense was recognized.

ELECTROVAYA INC.

Un-audited Consolidated Statements of Operations and Deficit
(Expressed in thousands of U.S. dollars except share and per share amounts)

Three and six months ended March 31, 2004

1. Significant Accounting Policies (continued)

(b) Change in Accounting policy (continued)

Effective January 1, 2004, in accordance with one of the transitional options permitted under amended Section 3870, the Company has prospectively applied the fair value based method to all employee stock options granted on or after October 1, 2003. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. There is no effect of prospectively adopting the fair value based method on net income and loss per share for the period.

(c) Use of estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of bad debt reserves and warranty accruals at the date of the financial statements. Sales returns and bad debts are determined based on past experience for the prior one year applied against sales for the quarter. Bad debts are determined based the ageing of accounts receivable where such amounts are not insured and considered uncollectible. Warranty accruals are based on the actual warranty experience rate for the past year and sales during the most recent warranty period. Actual results could differ from the estimates.

(d) Segmented Information

The Company has no distinct operating segments and has no operating assets located outside of Canada.

(e) Cash and cash equivalents

Cash and cash equivalents consist of investments with maturities of less than 90 days.

2. Inventories

Inventories consist of:

	March 31, 2004 (Unaudited)	September 30, 2003 (Audited)
Raw materials	\$ 1,122	\$ 1,095
Work in progress	1,846	1,703
Finished goods	244	54
	<u>\$ 3,212</u>	<u>\$ 2,852</u>

ELECTROVAYA INC.

Un-audited Consolidated Statements of Operations and Deficit
(Expressed in thousands of U.S. dollars except share and per share amounts)

Three and six months ended March 31, 2004

3. Share capital

As at March 31, 2004, the Company had outstanding 69,539,109 common shares (69,539,109 at September 30, 2003) outstanding and 1,588,266 (1,599,000 as at September 30, 2003), options to acquire common shares under the Company's employee incentive plan.

4. Government Assistance

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 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 received \$1,140 during fiscal 2003 and \$244 during the first quarter and \$127 in the second quarter of fiscal 2004.

5. Related Party Transactions

The Company leases its Hanna Avenue premises in Toronto, Ontario, from a company owned by its controlling shareholders for \$209 per year plus GST and business tax. The lease was renewed from January 1, 2003 to December 31, 2003. In June, 2003, an additional 11,800 square feet at \$80 per year plus GST and business tax was secured by the Company until December, 2003 with one rent-free month. Beginning in January, 2004, the Company occupied these premises on a monthly basis. In April, 2004, the premises were sold by the controlling shareholders to an independent third party.

Electrovaya has invested \$115 in a private company engaged in the business of producing and evaluating lithium iron phosphate battery technology in return for 6% of its Class A and 21% of its Class B shares. Additionally, the Company provided research and development services and received 30% of the outstanding non-voting, participating Class B shares in consideration of their services. The Class B shares are convertible into Class A voting, participating shares in the event the company becomes registered on a stock exchange. During the quarter, Electrovaya provided a \$38 loan to the company to assist with the operation of a pilot plant. The original investment, additional shares and loan have been valued at Nil as at the end of March 31, 2004.

ELECTROVAYA INC.

Un-audited Consolidated Statements of Operations and Deficit
(Expressed in thousands of U.S. dollars except share and per share amounts)

Three and six months ended March 31, 2004

6. Stock Compensation

The Company has not granted stock options during the current year and no additional stock option expense has been recognized in the current quarter.