ELECTROVAYA INC.

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

	March 31, 2007	September 30, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 8,586	$ 4,305
Short-term investments	-	5,845
Accounts receivable	277	434
Investment tax credits recoverable	164	139
Goods and services tax receivable	17	23
Inventories (note 2)	1,526	1,839
Prepaid expenses and other	225	123
	10,795	12,708
Capital assets (note 1(d))	5,781	6,356
	$ 16,576	$ 19,064
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,070	$ 1,167
Related party obligation (note 5 (e))	84	87
	1,154	1,254
Long-term portion of related party obligation (note 5 (e))	259	307
Shareholders' equity		
Share capital (note 3)	63,745	63,745
Contributed surplus	613	495
Accumulated other comprehensive income (notes 1(b) and 9)	7,667	8,301
Deficit	(56,862)	(55,038)
	15,163	17,503
Contingencies (notes 1(g)) and 5(b))		
	$ 16,576	$ 19,064

See accompanying notes to consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2006.

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ELECTROVAYA INC.

Unaudited Consolidated Statements of Operations and Deficit
(Expressed in Thousands of U.S. dollars, except per share amounts)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Six months ended March 31, 2007	Six months ended March 31, 2006
Revenue	$ 806	$ 855	$ 1,308	$ 1,443
Direct manufacturing costs	1,020	854	1,936	1,481
	(214)	1	(628)	(38)
Expenses				
Research and development	413	1067	752	1,555
Government assistance Note 1(g)	(140)	(508)	(725)	(727)
Sales and marketing	88	139	220	313
General and administrative	341	524	834	1,057
	702	1,222	1,081	2,198
Loss before the undernoted	916	1,221	1,709	2,236
Amortization (see note 1 (d))	252	290	463	576
Capital assets write-down	-	4,020	-	4,020
Loss from operations	1,168	5,531	2,172	6,832
Interest income	(74)	(87)	(137)	(162)
(Gain) Loss from foreign exchange	73	18	(211)	(15)
	(1)	(69)	(348)	(177)
Net loss and comprehensive loss for the period (Note 1(b))	1,167	5,462	1,824	6,655
Deficit, beginning of period	55,695	48,291	55,038	47,098
Deficit, end of period	56,862	53,753	56,862	53,753
Basic and diluted loss per common share	$ (0.02)	$ (0.08)	$ (0.03)	$ (0.10)
Weighted average number of shares outstanding, basic and fully diluted	69,575,442	69,575,442	69,575,442	69,575,442

See accompanying notes to interim consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2006.

ELECTROVAYA INC.

Unaudited Consolidated Statements of Cash Flows
(Expressed in Thousands of U.S. dollars, except per share amounts)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Six months ended March 31, 2007	Six months ended March 31, 2006
Cash provided by (used in)				
Operating activities				
Loss for the period	$ (1,167)	(5,462)	$ (1,824)	$ (6,655)
Items not involving cash:				
Amortization	252	290	463	576
Accretion expense-related party obligation	(7)	-	(3)	-
Capital assets write-down	-	4,020	-	4,020
Stock compensation expense	62	68	118	127
Change in non-cash operating working capital (note 6)	(151)	152	252	277
	(1,011)	(932)	(994)	(1,655)
Investing activities				
Additions to capital assets	(54)	(31)	(98)	(68)
Decrease in related party obligation	(28)	-	(48)	-
Proceeds from short-term investments	-	-	5,845	8,900
	(82)	(31)	5,699	8,832
Increase (decrease) in cash and cash equivalents	(1,093)	(963)	4,705	7,177
Effect of currency translation adjustments on cash and cash equivalents	134	-	(424)	(68)
Cash and cash equivalents, beginning of year	9,545	11,405	4,305	3,333
Cash and cash equivalents, end of period	$ 8,586	$ 10,442	$ 8,586	$ 10,442
Supplemental disclosure of cash flow information				
Income taxes paid	$ 2	$ 21	$ 2	$ 21
Interest received	81	93	148	236

See accompanying notes to interim consolidated financial statements.

These unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2006.

Electrovaya Inc. (the Company or “Electrovaya”), incorporated in 1996 under the Business Corporations Act (Ontario), develops, manufactures and markets portable power technology products and services 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 inter-company balances and transactions have been eliminated during 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, 2006.

The unaudited interim consolidated financial statements are based upon accounting policies consistent with those used and described in the annual consolidated financial statements. 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, 2007 and the results of its operations and its cash flows for the six months ended March 31, 2007. Results for the six months ended March 31, 2007 are not necessarily indicative of the results to be expected for the entire year.

b) Changes in Accounting Policy

Effective January 1, 2007, the Company adopted CICA Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation. The changes are applied prospectively with no restatement in prior quarterly or annual comparatives.

The reported values of the financial instruments, which consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near-term maturity of those instruments.

1. Significant accounting policies (continued)

b) Changes in Accounting Policy (continued)

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale financial assets or other financial liabilities.

Held-for-trading

Financial instruments classified as held-for-trading are carried at fair value at each balance sheet date with the changes in fair value recorded in net earnings (loss) for the period in which these changes arise.

Held-to-maturity investments, loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are carried at cost using the effective interest method. The interest income or expense is included in net earnings (loss) over the expected life of the instrument.

Available for sale

Financial instruments classified as available-for-sale are carried at fair value at each balance sheet date with the changes in fair value recorded in other comprehensive income (loss) in the period in which the change arises.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents as held-to-maturity. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The Company had no derivatives or hedge accounting instruments.

The new standards also introduce a new measurement of results called comprehensive income which is composed of the Company's net earnings and other comprehensive income. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company had no comprehensive income for the all periods presented. However, the Company retroactively reclassified its cumulative translation adjustment account to accumulated other comprehensive income (See Note 9).

Expressed in thousands of U.S. dollars, except per share amounts and otherwise stated)

2. Significant accounting policies (continued)

(c) Cash and cash equivalents and short-term investments

Cash and cash equivalents include temporary investments in marketable securities which are readily convertible into cash and which have an original term to maturity of 90 days or less. Short term investments consist of temporary investments in marketable securities with longer terms to maturity and are recorded at cost, which is equivalent to their market value.

(d) Capital assets

Capital assets are recorded at cost less related investment tax credits and accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Building	4%
Building improvements	7%
Production equipment	17%
Workshop equipment	20%
Patents and technology	20%
Office furniture and equipment	20%
Vehicles	20%

During the fourth quarter of the fiscal year ended September 30, 2005, the Company reviewed the estimated useful life of depreciable assets resulting in a prospective change in amortization for production equipment and building improvements.

This resulted in production equipment and building improvements being amortized on a straight-line basis over the next 6 and 15 years respectively. The impact of this change in the prior year was a reduction in the amortization expense for production equipment of $420 and an increase in the amortization expense for building improvements of $25.

(e) Research and development costs

Research costs, net of related investment tax credits, are expensed in the period in which they are incurred.

Development costs, net of related investment tax credits, are expensed in the period incurred unless such costs meet the criteria under Canadian generally accepted accounting principles for deferral and amortization. To date, the Company has not deferred any development costs.

1. Significant accounting policies (continued)

Certain costs related to the Company's research and development efforts related to fast batteries and electric vehicles are being funded by repayable grants from Technology Partnerships Canada ("TPC") and Sustainable Development Technology Corp ("SDTC")(see Note 1 (g)).

(f) Inventories

Inventories are comprised of raw materials, work in progress and finished goods. Raw materials and work in progress are recorded at the lower of cost and replacement cost. Finished goods are recorded at the lower of cost and net realizable value.

(g) Government assistance

The Company receives indirect financial assistance fom the government by way of the investment tax credit program. This program provides assistance, by way of direct payments and reductions in corporate income taxes, for specially defined qualifying expenditures. Investment tax credits are credited against the related research and development expenses, or capital assets.

The Company has been approved for funding under the TPC initiative of Industry Canada. The funding is to support the Company's research and development efforts in fast rate 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 $6,700. Under the terms of the agreement, an amount up to a maximum of $31,100 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. These revenue thresholds were not achieved during the quarter ended March 31, 2007. Cumulative claims of $3,707 were received by the Company as at September 30, 2006 from the TPC program.

Additional claims for $174 and $140 were received by the company during the quarters ended December 31, 2006 (2005-$219) and March 31, 2007 (2006-$508).

In July 2005, the Company became eligible for a Cdn $1,700 grant from SDTC towards a Cdn $5,100 project related to the development and demonstration of Electrovaya's Lithium Ion SuperPolymer® Battery for application in zero-emission commercial fleet vehicles.

The amount is receivable in scheduled instalments as provided in the contribution agreement between SDTC and the Company and will be received upon the achievement of various project milestones. Under the terms of the agreement SDTC shall pay the lesser of 33% of the eligible project costs or CDN $ 1,700, the contribution shall not exceed 50% of the eligible project costs and the Company or consortium members, or both, shall provide

1. Significant accounting policies (continued)

at least 25% of the project costs in cash, in-kind goods or services or a combination of both. SDTC shall not have any obligation to pay the contribution unless the Company has obtained a commitment and has the financial capacity to finance all the costs related to the entire project.

The project is divided into three milestones, and the first milestone was completed by July 31, 2006. The second milestone is expected to be achieved in approximately six months and the third milestone is expected to be achieved in the second quarter of fiscal 2008.

Claims for $411 were received by the Company during the quarter ended December 31, 2006 (2005 - NIL). No further claims were received by the Company during the quarter ended March 31, 2007.

During the fiscal year 2006 the Company received contributions totaling $472 from SDTC (2005 – NIL), for Milestone 1. Cumulative claims of $883 have been received as at March 31, 2007 from SDTC.

(h) Stock based compensation

The Company applies the fair value method of accounting for employee stock options 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 expensed over the award's vesting period. Stock based compensation expense for the quarter ended March 31, 2007 was $62 (2006 - $68).

(i) Revenue recognition

Revenue from product sales is recognized upon shipment. Estimated returns and allowances and sales rebates are recorded as a reduction of revenue at the time of revenue recognition. In addition, the Company provides for the estimated cost of standard product warranties at the time of revenue recognition. The Company primarily uses a binding purchase order as evidence of its sales arrangements, and with respect to its service arrangements uses contractual agreements. The Company considers delivery to occur upon shipment, provided risks and rewards of ownership, including transfer of title have passed to the customer. At the point of sale, the Company assesses whether collection is reasonably assured. If the Company determines that collection is not reasonably assured, the Company defers recognition of the revenue until collection becomes reasonably assured, which is generally upon receipt of cash. Where an estimate of the potential sales returns cannot be made, the recognition of revenue does not occur until the distributor has sold the product.

1. Significant accounting policies (continued)

Revenue from services provided to third parties under contracts is recognized as services are performed and as each milestone in the contract is achieved and accepted by the customer.

Revenue from custom machine building is recognized based on the percentage of completion method of accounting for contracts. Under such contracts, revenue is

recognized based on the ratio of total costs incurred to date to overall estimated costs. Provisions for estimated losses on contracts are recognized when identified.

(j) Warranty costs

Warranty costs are provided for as revenues are earned.

(k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Actual results may differ from the estimates. Sales returns are estimated at the time of delivery based on past experience and customer specific factors. Bad debts are determined based on 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.

The Company operates in a competitive market subject to fast-paced technological changes. The Company has estimated the provisions for sales returns, warranty costs and obsolete inventory based on historical patterns, communication with its distributors, industry trends and existing competitive pressures. Significant changes in technology or competitors' products could result in a material change in the rate of sales returns.

(l) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are

1. Significant accounting policies (continued)

expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is not more likely than not that the asset will be realized.

(m) Foreign currency translation

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into Canadian dollars (which is considered to be the measurement currency) at the exchange rates prevailing at the balance sheet date, and transactions denominated in foreign currencies which are included in operations are translated at the average rates for the period. Non-monetary assets and liabilities are translated at the exchange rate in effect at the transaction date. Exchange gains and losses resulting from the translation of these amounts are reflected in the consolidated statement of operations in the period in which they occur.

As the Company's reporting currency is the U.S. dollar, the Company translates assets and liabilities denominated in Canadian dollars into U.S. dollars at the exchange rate prevailing at the balance sheet date, and the results of operations at the average rate for the period. Cumulative net translation adjustments are included as a separate component of shareholders' equity.

(n) Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of common and potential common shares outstanding during the year, if dilutive.

(o) Impairment of long-lived assets

The Company reviews capital assets subject to amortization for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset that is held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available.

Expressed in thousands of U.S. dollars, except per share amounts and otherwise stated)

2. Inventories

	March 31, 2007	September 30, 2006
Raw materials	$ 737	$ 856
Work in progress	588	844
Finished goods	201	139
	$ 1,526	$ 1,839

3. Share capital

As at March 31, 2007, the Company had outstanding 69,575,442 common shares (69,575,442 as at December 31, 2006) and 3,175,938 options (3,175,938 as at December 31, 2006) to acquire common shares under the Company's employee incentive plan.

On January 25, 2007, the Company announced a Normal Course Issuer Bid ("Bid") through the Toronto Stock Exchange ("TSX") in effect for a twelve-month period commencing on January 29, 2007. The maximum number of common shares which may be purchased during the Bid is 3,478,772 common shares, being approximately 5% of Electrovaya's issued and outstanding common shares as at January 22, 2007. Common shares purchased by the Company pursuant to this Bid shall be cancelled.

4. Foreign currency and credit risk

(a) Foreign currency risk

The Company is exposed to foreign currency fluctuations to the extent that the Company is holding significant cash and cash equivalent balances denominated in U.S. dollars. The Company does not hedge the risk related to fluctuations of the exchange rate between U.S. and Canadian dollars.

(b) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. Allowances are maintained for potential credit losses consistent with the credit risk of specific customers, historical trends and other information. Credit losses have been within management's range of expectations.

5. Related party transactions

a. Electrovaya in previous years invested $115 in a private unrelated company. In return for its investment, the Company received 6% of the Class A and 21% of the Class B shares of this private company. Additionally, during the previ ous years, Electrovaya provided research and development services totaling $153 to this private company, and received an additional 30% of the outstanding non-voting, participating Class B shares as consideration for the services rendered. The Class B shares were convertible into Class A voting, participating shares in the event the private company became registered on a stock exchange. During the previous years, Electrovaya provided a $38 loan and space at no additional charge to the private company to assist with the operation of a pilot plant, resulting in the potential for Electrovaya to exert significant influence over the activities of the private company. The private company was owned by arm's length private investors and had not yet reached commercial levels of production. The private company was seeking additional funding and, in the event these efforts were unsuccessful, would have not been a going concern. As a result, the original investment, additional shares and loan were valued at NIL as at September 30, 2005. In April, 2006, the Company sold its class A and B shares of the private company to a third party and recorded a gain of $892 on the sale.

b. In August 2005, the Company purchased all of the issued and outstanding shares of 1020204 Ontario Limited ("102") from its two principal shareholders at the time, Dr. Sankar Das Gupta, who is a director and officer of the Company and Dr. James Jacobs who was an officer of the Company. Electrovaya Inc. then transferred all of its shares in Electrovaya Corp. to 102 in exchange for shares of 102. 102 and Electrovaya Corp. then completed a statutory vertical amalgamation and continued as Electrovaya Corp. (the "amalgamation transaction").

The amalgamation transaction had been accounted for based on CICA Handbook Section 3840, *Related Party Transactions* at the exchange amounts of the assets and liabilities transferred as there has been a substantive change in the ultimate unrelated parties' ownership interests in the subsidiaries. In addition, the Company had obtained independent evidence on the exchange amounts involved in the amalgamation transaction. An independent committee of the Board was constituted to review the amalgamation transaction.

Upon amalgamation, the Company received $509 of cash and assumed a liability of $77 relating to interest payable on an income taxes liability of 102. The offset to the $432 of net assets assumed had been recorded as a credit to income tax recovery in the statement of operations for the fiscal year ended September 30, 2005.

5. Related party transactions (continued)

In addition, as at September 30, 2005, Electrovaya Corp carried back income tax losses of $4,787, eliminating a $1,148 income tax liability of 102. This transaction had no impact on the statement of operations as a full valuation allowance had been recorded against the income tax losses.

During the quarter ended March 31, 2006, it was determined that 102 may have an additional tax liability of approximately $361. Pursuant to the terms of the share purchase agreement among Electrovaya, the shareholders of 102 and the principals thereof, Electrovaya has provided notice of its claim for an indemnity in respect of the full amount of this tax liability and consequently this liability had not been recorded in the financial statements.

During the quarter ended June 30, 2006, 102 was served with a Statement of Claim ("Claim") by the purchaser of the land and building at Hanna Avenue, seeking damages in the amount of $986. The Company is indemnified for such matters under the terms of the purchase and sale agreement mentioned above. Management believes that it is too early to determine the ultimate outcome of these proceedings and that the claim is without merit.

c. During the quarter ended March 31, 2007, the Company paid $52 (2006 - $33) to a director of a wholly owned subsidiary company for services rendered to the Company in his capacity as an executive officer.

d. During the year ended September 30, 2006, the Company was served with a Statement of Claim for $1,100 by an executive officer related to an automobile accident involving one of the Company-owned automobiles. The Company is fully insured for the amount of the claim.

e. Pursuant to a termination of employment agreement between the Company and the co-founder and former Chief Technology Officer of the Company, the Company is obligated to pay 130 biweekly instalments totalling $448 beginning September 2006. In the event of a change in control, insolvency or wind-up of the Company, all amounts become due and payable immediately. The Company has accounted for the present value of the expected future payments of $394 as a charge to income during the year ended September 30, 2006. Payments totalling $28 were made during the quarter ended March 31, 2007, while accretion expense was $7.

Expressed in thousands of U.S. dollars, except per share amounts and otherwise stated)

6. Change in non-cash operating working capital

	Six months ended March 31, 2007	2006
Accounts receivable	$ 157	315
Investment tax credits recoverable	(25)	49
Goods and services tax receivable	6	8
Inventories	313	155
Prepaid expenses and other	(102)	(120)
Accounts payable and accrued liabilities	(97)	(130)
	$ 252	$ 277

7. Income taxes

The Company has a potential tax benefit resulting from non-capital losses carried forward, an undeducted pool of scientific research and experimental development expenditures and non-refundable investment tax credits carried forward. In view of the history of net losses incurred, management is of the opinion that it is more likely than not that these tax assets will not be realized in the foreseeable future and hence, a full valuation allowance has been recorded against these future tax assets. Accordingly, no future tax assets are recorded on the balance sheets.

8. Segmented information

The Company has reviewed its operations and determined that it operates in one business segment and has only one reporting unit. The Company develops, manufactures and markets portable power technology products using its patented lithium ion SuperPolymer ® technology.

Revenues from major business activities were as follows:

	March 31, 2007	2006
Services	$ 441	$ 221
Consumer electronics	809	1,220
Other	58	2
	$ 1,308	$ 1,443

Expressed in thousands of U.S. dollars, except per share amounts and otherwise stated)

8. Segmented information (continued)

Revenues attributed to regions based on location of customer were as follows:

	March 31, 2007	March 31, 2006
Canada	$ 125	$ 156
United States & Others	1,183	1,287
	$ 1,308	$ 1,443

As at March 31, 2007, all the Company's material assets were located in Canada.

9. Accumulated other comprehensive income

The following table provides the components of "Accumulated other comprehensive income" in the consolidated balance sheet as at:

	March 31, 2007	September 30, 2006
Foreign currency translation adjustment	7,667	8,301
	$ 7,667	$ 8,301