ELECTROVAYA INC.

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

,	March 31, 2009	September 30, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 3,447	$ 4,934
Accounts receivable	272	548
Other receivables	121	51
Investment tax credits recoverable	170	377
Inventories (note 3(a))	245	527
Prepaid expenses and other	449	293
	4,704	6,730
Capital assets (note 1(d))	4,816	5,923
Investment in shares (note 10)	363	-
	$ 9,883	$ 12,653
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 461	$ 830
Income tax payable (note 5(a))	-	238
Current portion of long-term liability	-	24
Deferred revenue (note 11)	1,462	1,417
	1,923	2,509
Shareholders' equity		
Share capital (note 4)	63,745	63,745
Contributed surplus	960	894
Accumulated other comprehensive income (note 1(a))	7,200	9,239
Deficit	(63,945)	(63,734)
	7,960	10,144
	$ 9,883	$ 12,653

See accompanying notes to unaudited 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, 2008.

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, 2009	Three months ended March 31, 2008	Six months ended March 31, 2009	Six months ended March 31, 2008
Revenue (note 8)	$ 675	$ 476	$ 1,467	$ 971
Direct manufacturing costs (note 3(b))	152	342	597	818
	523	134	870	153
Expenses				
Research and development	1,039	1,091	1,983	1,878
Government assistance (note 1(g))	(645)	(654)	(1,180)	(654)
Sales and marketing	56	180	152	248
Warranty increase/(decrease) (note 1(j))	12	(9)	26	(8)
General and administrative	310	341	653	733
	772	949	1,634	2,197
Loss before the undernoted	249	815	764	2,044
Amortization (see note 1 (d))	116	171	231	337
Loss from operations	365	986	995	2,381
Interest income	(9)	(45)	(28)	(105)
(Gain) from foreign exchange	(119)	(247)	(756)	(190)
	(128)	(292)	(784)	(295)
Loss for the period	237	694	211	2,086
Deficit, beginning of period	63,708	61,071	63,734	59,679
Deficit, end of period	63,945	61,765	63,945	61,765
Basic and diluted loss per common share	$ 0.01	$ 0.01	0.01	$ 0.03
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 unaudited 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, 2008

ELECTROVAYA INC.

Unaudited Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of U.S. dollars, except per share amounts)

	Three months ended March 31, 2009	Three months ended March 31, 2008	Six months ended March 31, 2009	Six months ended March 31, 2008
Net (loss)	$ (237)	$ (694)	$ (211)	$ (2,086)
Other comprehensive (loss) net of income taxes				
Unrealized (loss) on translation of financial statements from the measurement Currency to the reporting currency	(321)	(610)	(2,039)	(462)
Other comprehensive (loss)	(321)	(610)	(2,039)	(462)
Comprehensive (loss) for the period	(558)	(1,304)	(2,250)	(2,548)
Accumulated other comprehensive income				
Accumulated foreign currency translation	7,200	9,639	7,200	9,639
Accumulated Other Comprehensive income	7,200	9,639	7,200	9,639

ELECTROVAYA INC.

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

	Three months ended March 31, 2009	Three months ended March 31, 2008	Six months ended March 31, 2009	Six months ended March 31, 2008
Cash provided by (used in)				
Operating activities				
Loss for the period	$ (237)	$ (694)	$ (211)	$(2,086)
Items not involving cash:				
Amortization	116	171	231	337
Accretion expense-related party obligation	-	(2)	-	(2)
Stock compensation expense (note 1(h))	24	58	66	95
Change in related party receivables	-	19	-	15
Decrease in long-term liability	-	(31)	-	(43)
Change in non-cash operating working capital (note 6)	(463)	219	(47)	112
	(560)	(260)	39	(1,572)
Investing activities				
Additions to capital assets	(45)	(53)	(65)	(94)
Investment in shares	-	-	(373)	-
	(45)	(53)	(438)	(94)
Decrease in cash and cash equivalents	(605)	(313)	(399)	(1,666)
Effect of currency translation adjustments on cash and cash equivalents	(166)	(362)	(1,088)	(270)
Cash and cash equivalents, beginning of period	4,218	5,986	4,934	7,247
Cash and cash equivalents, end of period	3,447	$ 5,311	3,447	$ 5,311
Supplemental disclosure of cash flow information				
Income taxes paid	$ 169	$ 2	$ 207	$ 3
Interest received	5	46	25	82

See accompanying notes to unaudited 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, 2008.

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, including 1408871 Ontario Inc., Electrovaya Corp., Electrovaya Company, Electrovaya USA Inc. and Electrovaya Global SRL. All inter-company balances and transactions have been eliminated upon consolidation.

Comprehensive Income

Effective October 1, 2006, the Company adopted CICA Handbook Section 1530, Comprehensive Income. Comprehensive income 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.

Financial Instruments – Disclosures

Effective October 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants' Handbook Section 3862, Financial Instruments – Disclosures.

The recommendations in Section 3862, Financial Instruments – Disclosures, increases the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonable possible changes in the relevant risk variable. The Company has included disclosures recommended by the new Handbook section in Note 10 to these financial statements.

1. Significant accounting policies (continued)

Financial instruments – Presentation

Effective October 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants' Handbook Section 3863, Financial Instruments – Presentation. Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section.

The following definitions are used in the presentation and disclosures regarding Financial Instruments in which the Company engages as part of their normal operations.

Fair Value

The fair value of cash and cash equivalents, accounts receivable, other receivables, investment tax credits recoverable, accounts payable and accrued liabilities, and deferred revenue approximate their carrying values due to the relatively short term maturities of these instruments.

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-to-maturity; which are measured at cost using the effective interest method. Financial instruments included in accounts receivable are classified as accounts receivable, which are measured at amortized cost. Accounts payable and accrued liabilities and deferred revenue are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2009, the carrying and fair value amounts of the Company's financial instruments are not materially different.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period. The Company has no short-term investments as at March 31, 2009 exceeding 90 days. Therefore, a change in interest rates, will not have any significant impact on the Company relating to the holding of these investments.

The Company does have significant, but not material, reserves of foreign currency that would give rise to exposure to foreign exchange risk. Therefore a percentage change in foreign exchange rates may have a significant, but not material, impact on the Company.

1. Significant accounting policies (continued)

Capital disclosures

Effective October 1, 2007, the Company adopted CICA Handbook Section 1535 Capital Disclosures. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section to these financial statements as described more fully below.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development, manufacture and marketing of its products. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The products which the Company is currently developing and maintaining are in the early stages; as such the Company is dependent on external financing and government financing to fund its activities. In order to carry out the planned development, improve production capacity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new products and seek to acquire an interest in additional products if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

(b) Changes in Accounting Policy

(i) Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants issued Handbook Section 3064, Goodwill and intangible assets, replacing Handbook Section 3450, Goodwill and other intangibles and Handbook Section 3450, Research and development costs. Various changes have been made to other sections of the Canadian Institute of Chartered Accountants Handbook for consistency purposes.

The new sections establish standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit oriented enterprises. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company implemented this standard on October 1, 2008. The Company has not yet evaluated the impact this new standard will have on its financial statements.

1. Significant accounting policies (continued)

(ii) Inventory

Effective October 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants Handbook Section 3031*, Inventory*. The adoption of this new inventory standard requires changes for accounting of inventory including the requirement to allocate overhead costs based on normal production levels and changes to the definition of net realizable value. The adoption of the new standard did not have a material impact to the Company's financial statements.

The new inventory standard clarifies the definition of 'cost' to include all costs of purchase, costs of conversion and other costs incurred to bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write downs if the finished goods in which they will be incorporated are expected to be sold at or above cost. There was no impact of this change to the financial statements of the Company.

(c) Cash and cash equivalents

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.

(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 number of years indicated below:

	Years
Building	25
Building improvements	15
Production equipment	6
Workshop equipment	5
Patents and technology	5
Office furniture and equipment	5
Vehicles	5

1. Significant accounting policies (continued)

(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.

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. The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, and current and future expectations with respect to product offerings.

(g) Government assistance

The Company receives indirect financial assistance from 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 Cdn $10,000 ($9,439). 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 fiscal 2007 and 2008. Cumulative claims of $5,076 were received by the Company as at September 30, 2008 from the TPC program.

1. Significant accounting policies (continued)

During the quarters ended December 31, 2008 and March 31, 2009, the Company received contributions totaling $535 (2008-Nil) and $645 (2008-$654) from the TPC program. The program is scheduled to expire by the end of March, 2009. Reimbursements for Claims for the quarters ending September 30, 2008 have been submitted but not yet received. Claims for the period from October 1, 2008 to March 31, 2009 are being prepared but have not yet been submitted.

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 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 was originally budgeted to be completed in the quarter ended June 30, 2007 but the Company has now requested that the SDTC extend the tenure of the project until the end of the quarter ending September 30, 2009. The third milestone completion date is yet to be determined.

A cash contribution of $194 was received by the Company during fiscal 2008 (2007 -$447) for the achievement of certain milestones. As of March 31, 2009, cumulative claims of $1,113 have been received 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, 2009 was $24 (2008-$58).

1. Significant accounting policies (continued)

(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. Revenue from large format batteries 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

1. Significant accounting policies (continued)

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 expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the Statement of Operations 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 other comprehensive income.

(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.

1. Significant accounting policies (continued)

(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. Management determined that there is no impairment charge for the quarter ended March 31, 2009.

(p) Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the "going concern" assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in these financial statements.

2. Future accounting changes

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current generally accepted accounting principles. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company anticipates implementation of these standards in its first quarter of fiscal year 2012 and is currently evaluating the impact of their adoption on its consolidated financial statements.

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

3. Inventories

(a) Total inventories on hand are as follows:

		March 31, 2009		September 30, 2008
Raw materials	$	81	$	136
Work in progress		53		216
Finished goods		111		175
	$	245	$	527

(b) As per Significant accounting policies (note 1(f)), during the quarters ended March 31, 2009 and 2008, the following inventory revaluations and obsolescence provisions were included in direct manufacturing costs:

		March 31, 2009		2008
(Gain) on material revaluation	$	(14)	$	(67)
Provision for obsolescence		5		37
	$	(9)	$	(30)

4. Share capital

As at March 31, 2009, the Company had 69,575,442 common shares (69,575,442 as at December 31, 2008) outstanding and 4,386,271 options (3,844,271 as at December 31, 2008) 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. The bid period has now expired, with no shares purchased.

5. Related party transactions

a) 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 was accounted for based on CICA Handbook Section 3840, Related Party Transactions at the exchange amounts of the assets and liabilities transferred as there was a substantive change in the ultimate unrelated parties' ownership interests in the subsidiaries. In addition, the Company had obtained independent evidence

5. Related party transactions (continued)

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. 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.

In August, 2007, 102 received a Notice of Reassessment for a tax liability of approximately $498 (including accumulated interest) relating to the sale of property by 102 prior to the amalgamation with Electrovaya Corp. A final collection notice was received in December, 2007 and a lien was placed by the Ministry of Revenue on Electrovaya Corp's assets in January 2008 as security for the outstanding amount. Pursuant to the terms of the share purchase agreement, the former shareholders of 102 were required to indemnify Electrovaya in respect of the full amount, including legal and administrative expenses of any resulting tax liability. A settlement agreement was reached between the former shareholders of 102 and the Company and the Board also approved a one-time payment of $100 by the Company to the Ministry of Finance to finalize the matter. Pursuant to the settlement agreement, the tax liability will be repaid to the former shareholders on a prorata basis in the future if the Company earns taxable income. During the quarter, all remaining outstanding tax liabilities were paid and the lien placed on Electrovaya Corp's assets was removed.

b) During the quarter ended March 31, 2009, the Company paid $48 (2008- $60) to a director of a wholly owned subsidiary company for services rendered to the Company in his capacity as an executive officer. During the quarter ended March 31, 2009, the Company paid $54 (2008 - $68) to the Chief Executive Officer, who is also a controlling shareholder of the Company. Since the payments to the CEO are fixed and made in Canadian dollars while the Company reports in US dollars, the difference is attributable to the change in exchange rates.

c) 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.

(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, 2009	2008
Accounts receivable	$ 276	(54)
Investment tax credits recoverable	207	12
Other receivables	(70)	(21)
Inventories	282	545
Prepaid expenses and other	(156)	(253)
Accounts payable and accrued liabilities	(369)	(102)
Income tax payable	(238)	(15)
Deferred revenue	45	-
Current portion of long term liability	(24)	-
	$ (47)	$ 112

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 not 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, 2009	2008
Large Format Batteries*	$ 734	$ 296
Consumer electronics	263	557
Other	470	118
	$ 1,467	$ 971

* Formerly described as “Services.”

(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, 2009	March 31, 2008
Canada	$ 135	$ 253
United States	833	351
Others	499	367
	$ 1,467	$ 971

Three customers represented more than 10% or more of the Company's revenues, including one representing 55.3% of revenue from licensing, one representing 22.3% of revenue from the sale of large format batteries, and a third customer representing 19.9% from the sale of Consumer electronics.

As at March 31, 2009, all the Company's capital assets were located in Canada.

9. Management of financial risk

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

The company is exposed to the following risks:

Capital risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and develop its products. The capital structure of the Company consists of shareholders' equity and depends on the underlying profitability of the Company's operations.

Credit risk
Credit risk is the risk that a client will be *u*nable to pay any amounts owed to the Company. Management's assessment of the Company's risk is low as it is primarily attributable to money market funds held in Canadian banks, trade accounts receivables and Goods and Service Tax due from the Federal Government of Canada which is included in amounts receivable. The Company manages its credit risk by establishing procedures to establish credit limits and approval policies.

Liquidity risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate

9. Management of financial risk (continued)

financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interest of the Company's shareholders and may result in dilution to the value of such interests. The Company intends on fulfilling its obligations.

Market risk
Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair value of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its products and the future profitability of the Company is related to the market price of its primary competitors for similar products.

Interest rate risk
The Company has cash balances and has interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The present value of the debt and the associated interest payments are approximately the same, hence no discount has been applied to the debt.

Foreign currency risk
The Company's functional currency is the United States dollar and a majority of its revenue is derived from that source. The major purchases are transacted in Canadian dollars as the Company operations are located primarily in Canada. Therefore, management believes the foreign exchange risk derived from any currency conversions may have a material effect on the results of its operations.

Price risk
The Company is exposed to price risk with respect to the price of its products as the Company has a few key competitors.

10. Investment in shares

Pursuant to the licensing agreement to build a battery plant in Norway, the Company received $373 to purchase 850 shares, or approximately 6.4% of the shares of Miljobil Grenland AS, the Electric Vehicle company located in Norway. The investment was completed on December 8, 2008. During the quarter, a Plan of Merger was presented whereby Miljobil Grenland AS, will merge with Miljo Innovasjon AS, the battery plant company and carry on business as Miljo Innovasjon AS.

11. Deferred revenue

Deferred revenue represents revenues collected but not earned as of March 31, 2009.

12. Comparative figures

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