

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Electrovaya Inc.

We have audited the accompanying consolidated financial statements of Electrovaya Inc., which comprise the consolidated statement of financial position as at September 30, 2014 and 2013, and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years ended September 30, 2014 and September 30, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Electrovaya Inc. as at September 30, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years ended September 30, 2014 and September 30, 2013, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Goodman & Associates LLP

ELECTROVAYA INC.

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

As at	September, 30 2014	September 30, 2013
Assets		
Current assets		
Cash and cash equivalents (note 12)	\$ 969	\$ 2,604
Trade and other receivables (notes 7&13)	1,076	1,597
Investment tax credits recoverable	268	292
Inventories (note 4)	308	914
Prepaid expenses and other (note 9)	709	193
	3,330	5,600
Property, Plant and Equipment (note 5)	9,010	9,835
	\$ 12,340	\$ 15,435
Liabilities and Equity		
Current liabilities		
Trade and other payables	\$ 1,358	\$ 1,377
Deferred revenue	24	2,135
Deferred government grant (note 10(b))	18	1,947
Innovation Norway (note 11)	34	111
Promissory Note (note 9)	-	4,813
	1,434	10,383
Long-term liability		
Promissory Note (note 9)	5,362	-
Innovation Norway (note 11)	378	369
	5,740	369
Equity		
Share capital (note 6(a))	68,246	64,829
Contributed surplus	4,120	2,917
Fair value of share purchase warrants (notes (6(c) & 6(d))	747	623
Accumulated other comprehensive income/(loss)	(409)	406
Minority interest	2	2
Deficit	(67,540)	(64,094)
	5,166	4,683
	\$ 12,340	\$ 15,435

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

Consolidated Statement of Operations

(Expressed in thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2014 and 2013

	2,014	2,013
Revenue (note 3)	\$ 7,404	\$ 2,842
Direct manufacturing costs (note 4(b))	4,582	2,223
	2,822	619
Expenses		
Research and development	2,535	3,560
Government assistance (note 10)	(457)	(1,808)
Sales and marketing	291	459
Warranty	269	-
General and administrative (note 7)	1,753	1,023
Stock based compensation expense (note 6(b))	1,137	332
Finance costs	604	557
Patents and trademark expenses	154	193
	6,286	4,316
Loss before the undernoted	3,464	3,697
Amortization (see note 2 (i))	613	959
Loss from operations	4,077	4,656
Foreign exchange loss and interest (income)	(631)	(95)
	(631)	(95)
Net loss for the period	3,446	4,561
Basic and diluted loss per share	\$ 0.05	\$ 0.06
Weighted average number of shares outstanding, basic and fully diluted	72,561,684	70,954,612

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

Consolidated Statement of Comprehensive loss (Income)

(Expressed in thousands of U.S. dollars)

Years ended September 30, 2014 and 2013

		2014		2013
Net loss for the year	\$	3,446	\$	4,561
Other income				
Currency translation differences		815		512
Other comprehensive loss for the year		815		512
Total comprehensive loss for the year	\$	4,261		5,073

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

Consolidated Statement of Changes in Equity

(Expressed in thousands of U.S. dollars)

Years ended September 30, 2014 and 2013

	Share Capital	Contributed Surplus	Deficit	Fair value of share purchase warrants	Accumulated other Comprehensive Income	Minority Interest	Total
Balance – October 01, 2012	\$64,829	\$2,587	\$(59,533)	\$623	\$918	\$6	\$9,430
Stock-based compensation	-	332	-	-	-	-	332
Issue of shares	-	-	-	-	-	-	-
Net loss for the period	-	-	(4,561)	-	-	-	(4,561)
Currency translation differences	-	(2)	-	-	(512)	-	(514)
Minority interest	-	-	-	-	-	(4)	(4)
Balance – September 30, 2013	\$64,829	\$2,917	\$(64,094)	\$623	\$406	\$2	\$4,683
Balance – October 01, 2013	\$64,829	\$2,917	\$(64,094)	\$623	\$406	\$2	\$4,683
Stock-based compensation	-	580	-	-	-	-	580
Issue of shares	3,417	-	-	-	-	-	3,417
Share purchase warrants	-	623	-	124	-	-	747
Net loss for the period	-	-	(3,446)	-	-	-	(3,446)
Currency translation differences	-	-	-	-	(815)	-	(815)
Balance – September 30, 2014	\$68,246	\$4,120	\$(67,540)	\$747	\$(409)	\$2	\$5,166

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Years ended September 30, 2014 and 2013

	2014	2013
Cash provided by (used in)		
Operating activities		
Net loss for the year	\$ (3,446)	\$ (4,561)
Items not involving cash:		
Amortization	613	959
Stock based compensation expense (note 2(m))	1,137	332
Writedown of assets	-	219
Financing costs	110	199
Net changes in working capital (note 8)	(3,424)	1,415
	(5,010)	(1,437)
Investing activities		
Purchase of property, plant and equipment	(574)	(622)
	(574)	(622)
Financing activity		
Issue of shares	3,329	-
Loan financing	1,151	-
Repayment of Innovation Norway	(68)	(98)
	4,412	(98)
Decrease in cash and cash equivalents	(1,172)	(2,157)
Exchange difference	(463)	(286)
Cash and cash equivalents, beginning of year	2,604	5,047
Cash and cash equivalents, end of year	\$ 969	\$ 2,604

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

Notes to the Consolidated Financial Statements
(Expressed in thousands of U.S. dollars)
Years ended September 30, 2014 and 2013

1. Nature of Operations

Electrovaya Inc. ("Electrovaya" or the "Company") and its subsidiaries (the "Group"), design, develop and manufacture proprietary Lithium Ion SuperPolymer® batteries, battery systems, and battery-related products for the clean electric transportation, Utility Scale Energy Storage and smart grid power, consumer and healthcare markets. The Company's mission is to accelerate clean transportation as a commercial reality with its advanced power system for all classes of zero-emission electric vehicles, plug-in hybrid electric vehicles and marine systems. The Company's other mission is to deliver Utility Scale Energy Storage Systems for the highest efficiency in electricity storage, whether the electricity is generated from intermittent wind and solar power or from other sources. Electrovaya Inc. was incorporated in 1996 under the Business Corporations Act (Ontario).

2. General Information

The products which the Company is currently developing and maintaining are in the early stages; as such the Company is dependent on external financing, including 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.

Significant Accounting Policies

(a) Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries up to September 30, 2014. Electrovaya exercises control through 100% of the voting rights of its subsidiaries, 1408871 Ontario Inc., Electrovaya Corp., Maya Electric Inc., Electrovaya Company, Electrovaya USA Inc., Electrovaya Global SRL (dormant), Electrovaya ApS (inactive) and through 99.6% of the voting rights of Miljobil Grenland A.S. ("MGB"). All subsidiaries have the same reporting dates as their parent Company. All inter-company balances and transactions have been eliminated upon consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted when necessary to ensure consistency with the accounting policies adopted by the Group.

(b) Basis of Accounting

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 that it will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses, a cumulative deficit and a working capital deficiency and is seeking to address its financing requirements through government assistance, joint venture agreements, debt or equity financings, renegotiation of current liabilities or

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Notes to the Consolidated Financial Statements
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asset sales. 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

(c) Functional and presentation currency:

These consolidated financial statements are presented in U.S. dollars. The Company's functional currency is Canadian dollars. The functional currency of the subsidiaries is Canadian dollars, US dollars and Norwegian krone. All financial information presented in U.S. dollars (except per share amounts) have been rounded to the nearest thousand.

(d) Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Actual results could differ materially from the estimates and assumptions. We review our estimates and assumptions on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

- Recognition of contract revenues.
- Determining when to recognize revenues from after-sales services requires an understanding of the customer's use of the related products, historical experience and knowledge of the market.
- Recognizing contract revenue also requires significant judgment in determining milestones, actual work performed and the estimated costs to complete the work.
- Distinguishing the research and development phases of a new project and determining whether the recognition requirements for the capitalization of development costs are met requires judgement. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired (see note 2(k)).

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them.

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Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain production, testing and other equipment.

Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values may vary from the actual prices achieved in an arm's length transaction at the reporting date.

(e) Capital disclosures:

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 Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its short-term debt comprised of the Promissory note, less cash and cash equivalents as presented on the face of the statement of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, comprised of equity and long term debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group issues new shares or increases its long-term debt.

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Capital for the reporting periods under review is summarized as follows:

	<u>30-Sep-14</u>	<u>30-Sep-13</u>
Total Equity	\$ 5,166	\$ 4,683
Cash and cash equivalents	<u>(969)</u>	<u>(2,604)</u>
Capital	<u>4,197</u>	<u>2,079</u>
Total Equity	5,166	4,683
Promissory Note	5,362	0
Innovation Norway	<u>412</u>	<u>480</u>
Overall Financing	\$ <u>10,940</u>	\$ <u>5,163</u>
Capital to Overall financing Ratio	<u>0.38</u>	<u>0.40</u>

The Group's goal in capital management is to maintain a capital-to-overall financing ratio in a range between 0.30 and 0.80.

(f) Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective Group entity. 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 with the resulting foreign exchange gains and losses recognized in profit and loss. Non-monetary items measured at historical cost are translated at the exchange rate in effect at the transaction date. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's consolidated financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the US dollar (the Group's presentation currency) are translated into US dollars upon consolidation.

On consolidation, assets and liabilities have been translated into US dollars at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are recognized in comprehensive income and Accumulated other comprehensive income. On disposal of a foreign operation, the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on account and short-term investments with original maturities of three months or less.

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(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of raw material is determined using the First In First out (FIFO) method. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. The Company attempts to utilize excess inventory in other products the Company manufactures or return the inventory to the supplier or customer. To the extent economic circumstances have changed, previous write-downs are reversed and recognized in the consolidated statement of operations in the period the change occurs.

(i) Property, plant and equipment:

Property, plant and equipment is carried at cost less related investment tax credits, accumulated depreciation and impairment losses. Cost consists of expenditures directly attributable to the acquisition of the asset, including interest for constructing qualified long-term assets, as applicable. The Company capitalizes the cost of an asset when the economic benefits associated with that asset are probable and when the cost can be measured reliably. The costs of major renovations are capitalized and the carrying amount of replaced assets is written off. When components of an asset have a significantly different useful life than its primary asset, the components are amortized separately. All other maintenance and repair costs are expensed in the consolidated statement of operations as incurred.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets. The following useful lives are applied:

	Years
Building	20
Leasehold improvements	10
Production equipment # 1	2
Production equipment # 2	3
Production equipment # 3	4
Production equipment # 4	5
Office Furniture and Equipment # 1	5
Office Furniture and Equipment # 2	2
Vehicles	2

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognized in profit or loss within "other income" or "other expenses."

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(j) Intangible assets

The Group's intangible assets consist of patents, trademarks and software licenses. The Company records intangible assets at fair value at the date of acquisition. An intangible asset is capitalized when the economic benefit associated with an asset is probable and when the cost can be measured reliably. Intangible assets are carried at cost less accumulated depreciation and impairment losses. Cost consists of expenditures directly attributable to the acquisition of the assets.

(k) Impairment of property, plant and equipment

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows ("cash-generating units" or "CGU"). Cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the carrying amount of the asset is tested for impairment. Absent triggering events during the year, we conduct our impairment assessment annually to correspond with our planning cycle.

An impairment loss is recognized when the carrying amount of an asset or CGU exceeds the recoverable amount. The recoverable amount of an asset or CGU is the greater of its value-in-use or its fair value less costs to sell. The process of determining value-in-use, or discounted cash flows, is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and cash flow projections and discount rates. The process of determining fair value less costs to sell requires the valuation and or discounted cash flows when market prices are not available. Impairment losses are recognized in the consolidated statement of operations. Impairment losses recognized in respect of a CGU are allocated to reduce the other assets in the CGU on a pro rata basis.

Impairment losses are reversed if the circumstances that led to the impairment no longer exist. At each reporting date, the Company reviews for indicators that could change the estimates used to determine the recoverable amount. The amount of the reversal is limited to restoring the carrying amount to the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior periods.

(l) Provisions

Legal:

Provisions are recognized for present legal or constructive obligations arising from past events when the amount can be reliably estimated and it is probable that an outflow of resources will be required to settle an obligation. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering

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the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

At the end of each reporting period, the Company evaluates the appropriateness of the remaining balances. Adjustments to the recorded amounts may be required to reflect actual experience or to reflect the current best estimate.

In the normal course of our operations, the Company may be subject to lawsuits, investigations and other claims, including environmental, labor, product, customer disputes and other matters. The ultimate outcome or actual cost of settlement may vary significantly from our original estimates. Material obligations that have not been recognized as provisions, as the outcome is not probable or the amount cannot be reliably estimated, are disclosed as contingent liabilities, unless the likelihood of outcome is remote.

Warranty:

The Company offers product and service warranties to our customers. The Company records a provision for future warranty costs based on the terms of the warranty, which vary by customer, product or service, management's best estimate of probable claims under these warranties, and historical experience. These estimates are reviewed and adjusted as necessary as experience develops or new information becomes known.

(m) Stock-based compensation

Under the Company's stock option plan, all options granted under the plan have a maximum term of 10 years and have an exercise price per share of not less than the market value of the Company's common shares on the date of grant. The Board of Directors has the discretion to accelerate the vesting of options or stock appreciation rights granted under the plan in accordance with applicable laws and the rules and policies of any stock exchange on which the Company's common shares are listed.

The Company has an option plan whereby options are granted to employees and consultants as part of our incentive plans. Stock options vest in installments over the vesting period. Stock options typically vest one third each year over 3 years or immediately as approved by the Board. The Company treats each installment as a separate grant in determining stock-based compensation expenses.

The grant date fair value of options granted to employees is recognized as stock-based compensation expense, with a corresponding charge to contributed surplus, over the vesting period. The expense is adjusted to reflect the estimated number of options expected to vest at the end of the vesting period, adjusted for the estimated forfeitures during the period. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in the prior periods if share options ultimately exercised are different to that estimated on vesting. The fair value of options are measured using the Black-Scholes option pricing model. Measurement inputs include the price of our Common shares on the measurement date, exercise price of the option, expected volatility of our

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Common shares (based on weighted average historic volatility), weighted average expected life of the option (based on historical experience and general option holder behavior), expected dividends, estimated forfeitures and the risk-free interest rate.

Upon exercise of options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded in retained earnings or deficit.

(n) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will be realized.

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(o) Financial assets and financial liabilities

i) Financial assets

Financial assets are comprised primarily of cash and cash equivalents and trade and other receivables. Short term investments in money market instruments and banker's acceptances are recorded at fair value, with changes recognized through the consolidated statement of operations.

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets recognized in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified

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group.

Financial assets with fixed or determinable payments are classified as loans and receivables, such as accounts receivable. This category excludes any derivative assets, or assets that are quoted in active markets. Loans and receivables are initially recognized in the consolidated statement of financial position at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest rate method, less any impairment losses. Trade and other receivables fall into this category.

Fair value through profit or loss (FVPTL):

Financial assets purchased and incurred with the intention of generating earnings in the near-term are classified as fair value through operations. Transaction costs are expensed as incurred in the consolidated statement of operations.

Held-to-maturity investments (HTM):

Securities that have fixed or determinable payments and a fixed maturity date, which the Company intends to and has the ability to hold to maturity, are classified as held-to-maturity which includes term deposits included in cash equivalents. Held-to-maturity financial assets are initially recognized in the consolidated statement of financial position at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest rate method, less any impairment losses. The Company currently does not hold any financial assets designated as HTM.

Available-for-sale (AFS):

Available for sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Gains and losses are recognized in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within finance income.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized. The Company currently does not hold any financial assets designated as available-for-sale.

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ii) Financial liabilities

Financial liabilities are comprised primarily of trade and other payables, deferred revenue, deferred government grant, promissory note and the liability to Innovation Norway. All financial liabilities are recorded at amortized cost. All financial liabilities are initially recorded at fair value and designated upon inception as FVPTL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable costs. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Other-financial-liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL. The Company's trade and other payables, deferred revenue, promissory note and Innovation Norway liability are classified as other-financial-liabilities.

Fair value through profit or loss

At September 30, 2014, the Company had not classified any financial liabilities as FVPTL.

(p) Revenue:

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. The Group often enters into sales transactions involving a range of the Group's products and services, for example for the delivery of battery systems and related services. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transactions is allocated to each separately identifiable component in proportion to its relative fair value.

Sale of goods

Sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods. Revenue from the sale of goods with no significant service obligation is recognized on delivery. Where significant tailoring, modification or integration is required, revenue is recognized in the same way as contracts for large energy storage systems described below.

Rendering of services

The Group generates revenues from design engineering services and construction of large-scale battery systems. Consideration received for these services is initially deferred, included in other liabilities and is recognized as revenue in the period when the service is performed. Revenue from services is recognized when the services are provided by reference to the contract's stage of completion at the

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reporting date.

The Group also earns rental income from operating leases of its properties. Rental income is recognized on an accrual basis.

Contracts for large energy storage systems

Contracts for large energy storage systems specify a price for the development and installation of complete systems. When the outcome can be assessed reliably, contract revenue and associated costs are recognized by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Group cannot measure the outcome of a contract reliably, revenue is recognized only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognized in the period in which they are incurred. In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately in profit or loss.

The contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognized for each milestone is determined by estimating relative contract fair values of each contract phase, ie by comparing the Group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

Revenue from licensing is recognized as amounts are earned under the terms of the applicable agreements, provided no significant obligations exist and collection of the resulting receivable is reasonably assured.

(q) Research and development:

Expenditure on research is recognized as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase are recognized as intangible assets provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale.
- the Group intends to complete the intangible asset and use or sell it .

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- the Group has the ability to use or sell the intangible asset.
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits.
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalization are expensed as incurred.

(r) Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method.

(s) Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditures for warranties are charged against the associated provision when the related revenue is recognized.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported as "Finance costs."

(u) Earnings per share (EPS):

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

(v) Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after October 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standard and Interpretation which are not yet effective for the relevant reporting

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periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. This Standard has not yet been adopted.

During the period, the following new and revised Standards and Interpretations were adopted:

- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 'Joint Arrangements' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

These standards have been adopted and applied in these consolidated financial statements. The application of these standards has not had any impact on the amounts reported for the current or prior period.

3. Segment And Customer Reporting

In identifying its operating segments, management has considered the different services and products offered by the Company and determined that there was no effect on the recognition and measurement of financial statement items upon transition to IFRS. 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.

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Revenues from major business activities for the years ended September 30, 2014 and 2013 were as follows:

	2014	2013
Large format batteries	\$ 7,248	\$ 2,718
Consumer electronics	12	33
Other	144	91
	\$ 7,404	\$ 2,842

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

	2014	2013
Canada	\$ 5,282	\$ 1,667
United States	13	590
Norway	174	502
Other	1,935	83
	\$ 7,404	\$ 2,842

Customers:

For the year ended September 30, 2014 four customers represented more than 10% of total revenue (year ended September 30, 2013 three customers). Our largest customer accounted for 33.3% and 41.1% of total revenue for the years ended September 30, 2014 and of 2013 respectively.

4. Inventories

(a) Total inventories on hand as at September 30, 2014 and September 30, 2013 are as follows:

	September 30,	
	2014	2013
Raw materials	\$ 296	\$ 701
Semi finished	-	193
Finished goods	12	20
	\$ 308	\$ 914

(b) At the years ended September 30, 2014 and 2013, the following inventory revaluations and obsolescence provisions were included in direct manufacturing costs:

	September 30,	
	2014	2013
Gain on material revaluation	\$ (255)	\$ (144)
Provision for obsolescence	228	190
	\$ (27)	\$ 46

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5. Property, Plant and Equipment:

Details of the Company's property, plant and equipment and their carrying amounts are as follows:

The Group's property, plant and equipment are comprised of land, buildings and building improvements, production equipment, and office furniture and equipment.

All amortization and impairment charges are included within amortization and impairment of non-financial assets. Land and building have been pledged as security for the promissory note (See note 9).

The carrying amount can be analysed as follows:

	Land	Building	Leasehold Improvements	Production Equipment	Office Furniture and Equipment	Total
Gross carrying Amount						
Balance October 1, 2013	\$6,682	\$1,681	\$486	\$2,756	\$37	\$11,642
Additions/Reductions	-	-	-	572	-	572
Exchange Differences	(551)	(139)	(40)	(210)	(2)	(942)
Balance September 30, 2014	6,131	1,542	446	3,118	35	11,272
Depreciation and impairment						
Balance October 1, 2013	-	(252)	(146)	(1,384)	(25)	(1,807)
Additions/Reductions	-	(77)	-	(487)	(4)	(568)
Exchange Differences	-	21	(33)	124	1	113
Balance September 30, 2014	-	(308)	(179)	(1,747)	(28)	(2,262)
Net Book Value - September 30, 2014	\$6,131	\$1,234	\$267	\$1,371	\$7	\$9,010

	Land	Building	Leasehold Improvements	Production Equipment	Office Furniture and Equipment	Total
Gross carrying Amount						
Balance October 1, 2012	\$6,985	\$1,757	\$508	\$2,226	\$53	\$11,529
Additions	-	-	-	622	-	622
Reductions	-	-	-	-	-	-
Exchange Differences	(303)	(76)	(22)	(92)	(16)	(509)
Balance September 30, 2013	6,682	1,681	486	2,756	37	\$11,642
Depreciation and impairment						
Balance October 1, 2012	-	(176)	(102)	(386)	(24)	\$(688)
Additions	-	(84)	(49)	(822)	(4)	(959)
Impairment	-	-	-	(219)	-	(219)
Exchange Differences	-	8	5	43	3	59
Balance September 30, 2013	-	(252)	(146)	(1,384)	(25)	(1,807)
Net Book Value - September 30, 2013	\$ 6,682	\$ 1,429	\$340	\$1,372	\$12	\$9,835

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6. Share Capital

(a) Authorized and issued capital stock

Authorized
Unlimited common shares

Issued	Common Shares	
	Number	Amount
Balance, October 1, 2013	70,954,612	\$64,829
Issuance of shares	18,000	8
Fair value of stock options exercised	-	5
Balance, December 31, 2013	70,972,612	64,842
Issuance of shares	309,000	84
Fair value of stock options exercised	-	72
Balance, March 31, 2014	71,281,612	64,998
Issuance of shares	3,860,933	2,712
Fair value of stock options exercised	-	385
Balance, June 30, 2014	75,142,545	68,095
Issuance of shares	175,000	58
Fair value of stock options exercised	-	93
Balance, September 30, 2014	75,317,545	\$68,246

(b) In March, 2014, the Company received approval at its Annual Shareholders Meeting to increase the number of shares reserved for issuance under the stock option plan by 1,500,000 from 7,100,000 to 8,600,000. Options to purchase common shares of the Company under its stock option plan may be granted by the Board of Directors of the Company to certain full-time and part-time employees, directors and consultants of the Company and its affiliates. Stock options are non-assignable and may be granted for terms of up to 10 years. Stock options vest at various periods from zero to three years.

	Number outstanding	Weighted average exercise price
Outstanding, September 30, 2011	3,228,835	\$0.83
Granted during quarter ended Dec 31, 2011	250,000	0.80
Cancelled or expired	-131,002	0.62
Outstanding, September 30, 2012	3,347,833	1.13
Granted during quarter ended Dec 31, 2012	332,000	0.32
Cancelled or expired	-20,000	0.68
Outstanding, December 31, 2012	3,659,833	1.06
Granted during quarter ended March 31, 2013	32,000	0.70

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Outstanding, March 31, 2013 & June 30, 2013	3,691,833	1.04
Cancelled or expired	-40,002	0.81
Outstanding, September 30, 2013	3,651,831	1.06
Exercised during quarter ended Dec 31, 2013	-18,000	0.32
Outstanding, December 31, 2013	3,633,831	1.00
Granted during quarter ended March 31, 2014	1,687,000	0.65
Exercised during quarter ended March 31, 2014	-309,000	0.27
Outstanding, March 31, 2014	5,011,831	0.90
Granted during quarter ended June 30, 2014	256,000	0.96
Exercised during quarter ended June 30, 2014	-623,332	0.88
Cancelled or expired	-123,000	1.03
Outstanding, June 30, 2014	4,521,499	1.01
Granted during quarter ended September 30, 2014	80,000	1.06
Exercised during quarter ended September 30, 2014	-175,000	0.31
Cancelled or expired	-19,666	0.80
Outstanding, September 30, 2014	4,406,833	\$0.93

Exercise price	Number Outstanding	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price
\$0.50 (Cdn \$0.56)	250,001	0.20	250,001	\$0.50
\$0.26 (Cdn \$0.29)	186,666	1.23	186,666	\$0.26
\$0.60 (Cdn \$0.67)	500,334	3.23	500,334	\$0.60
\$0.21 (Cdn \$0.24)	36,000	4.39	36,000	\$0.21
\$0.85 (Cdn \$0.95)	272,000	4.87	272,000	\$0.85
\$0.71 (Cdn \$0.80)	48,500	5.42	48,500	\$0.71
\$1.64 (Cdn \$1.84)	470,000	5.49	470,000	\$1.64
\$2.52 (Cdn \$2.82)	20,000	5.78	20,000	\$2.52
\$2.41 (Cdn \$2.70)	25,000	5.81	25,000	\$2.41
\$2.48 (Cdn \$2.78)	392,000	6.26	392,004	\$2.48
\$0.72 (Cdn \$0.81)	163,332	7.22	106,663	\$0.72
\$0.29 (Cdn \$0.32)	148,000	8.20	148,000	\$0.29
\$0.63 (Cdn \$0.71)	32,000	8.40	32,000	\$0.63
\$0.64 (Cdn \$0.72)	1,512,000	9.39	1,512,000	\$0.64
\$0.93 (Cdn \$1.04)	15,000	9.44	15,000	\$0.93
\$0.91 (Cdn \$1.02)	256,000	9.65	256,000	\$0.91
\$1.06 (Cdn \$1.19)	80,000	9.81	80,000	\$1.06
	4,406,833	6.63	4,350,168	\$0.93

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The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the year ended September 30, 2014:

Grant date	Feb 19, 2014
No of options	1,672,000
Exercise price	\$ 0.65
Average expected life in years	10
Volatility	91.49%
Risk-free weighted interest rate	1.98%
Dividend yield	-
Fair-value of options granted	\$819

Grant date	Mar 7, 2014
No of options	15,000
Exercise price	\$ 0.94
Average expected life in years	10
Volatility	92.39%
Risk-free weighted interest rate	1.93%
Dividend yield	-
Fair-value of options granted	\$12

Grant date	May 22, 2014
No of options	265,000
Exercise price	\$ 0.95
Average expected life in years	10
Volatility	90.69%
Risk-free weighted interest rate	1.97%
Dividend yield	-
Fair-value of options granted	\$183

Grant date	July 18, 2014
No of options	80,000
Exercise price	\$ 1.06
Average expected life in years	10
Volatility	89.73%
Risk-free weighted interest rate	1.98%
Dividend yield	-
Fair-value of options granted	\$63

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the year ended September 30, 2013:

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Grant date	Dec 11, 2012
No of options	332,000
Exercise price	\$ 0.32
Average expected life in years	10
Volatility	95.56%
Risk-free weighted interest rate	1.53%
Dividend yield	-
Fair-value of options granted	\$81

Grant date	Feb 22, 2013
No of options	32,000
Exercise price	\$ 0.70
Average expected life in years	10
Volatility	97.44%
Risk-free weighted interest rate	1.77%
Dividend yield	-
Fair-value of options granted	\$17

Stock based compensation expense related to the portion of the outstanding stock options that vested during the year ended September 30, 2014 was \$1,137 (2013-\$332).

As at September 30, 2014, the Company had outstanding 4,406,833 options (3,651,831 as at September 30, 2013) to acquire common shares under the Company's employee stock option plan.

- (c) The Company has 1,000,000 share purchase warrants outstanding related to the issuance of the C\$6,250 promissory note on February 10, 2014. The expiry date of these warrants is February 09, 2016 (see note 15). The warrants vested immediately and the exercise price is C\$0.65. The original fair value of the share purchase warrants was \$278. The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the fair value of share purchase warrants issued during the quarter ended March 31, 2014:

Grant date	Feb 10, 2014
No. of options	1,000,000
Exercise price	\$ 0.59
Average Expected life in years	2
Volatility	88.43%
Risk-free weighted interest rate	0.98%

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Dividend yield -

(d) The Company has 1,618,799 share purchase warrants outstanding related to the issuance of the shares under private placement on June 13, 2014. The expiry date of these warrants is December 13, 2015. The warrants vested immediately and the exercise price is C\$1.25. The original fair value of the share purchase warrants was \$469. The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the fair value of share purchase warrants issued during the quarter ended June 30, 2014:

Grant date	June 13, 2014
No. of options	1,618,799
Exercise price	\$ 1.17
Average Expected life in years	1.5
Volatility	78.32%
Risk-free weighted interest rate	1.03%
Dividend yield	-

7. Related Party Transactions

Transactions with Electrovaya Corp Director

There were no balance outstanding as at September 30, 2014 and September 30, 2013. During the year ended September 30, 2014, the Company paid \$203 (2013- \$217) to a director of Electrovaya Corp for services rendered in his capacity as an executive officer of Electrovaya Inc. These amounts, which are recorded at their exchange amount, have been expensed in General and administrative.

Transactions with controlling shareholder of Electrovaya Inc.

There was an outstanding balances of \$125 as at September 30, 2014 (note 13) and no balance outstanding as at September 30, 2013. During the year ended September 30, 2014, the Company paid \$230 (2013 - \$264) to the Chief Executive Officer, who is also a controlling shareholder of the Company. These amounts, which are recorded at their exchange amount, have been expensed in General and administrative.

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8. Change In Non-Cash Operating Working Capital

	September 30,	
	2014	2013
Trade and other receivables	\$ 521	\$ 1,715
Investment tax credits recoverable	24	13
Inventories	606	284
Prepaid expenses and other	(516)	277
Trade and other payables	(19)	(814)
Restructuring provision	-	(900)
Deferred revenue	(2,111)	103
Deferred government grant	(1,929)	737
	<u>\$ (3,424)</u>	<u>\$ 1,415</u>

9. Promissory Note

In February, 2014, the Company raised a principal amount of Cdn \$6,250 in consideration of issuance of a two-year secured promissory note bearing interest at 8.25% per annum and 1,000,000 common share purchase warrants at an exercise price of C\$0.65 per share exercisable immediately for a period of 24 months. The promissory note matures on February 11, 2016.

For accounting purpose, the Promissory note was separated into their liability and equity component based on their fair value. The fair value of equity component was calculated using the Black-Scholes valuation model. The fair value of the liability component was determined as the difference between the fair value of the Promissory note and the fair value of the equity component.

The loan is secured by a fixed charge over land and building and interest is payable monthly.

As at	September 30, 2014	September 30 2013
Promissory Note	\$ 4,813	\$ 4,826
Less: repayment during the year	(4,407)	-
Add: additions during the year	5,577	-
Less: equity component	(278)	-
Add: Accretion during the year	110	199
Less: Currency translation adjustments	(453)	(212)
	<u>\$ 5,362</u>	<u>\$ 4,813</u>

Accretion costs during the year are included in "Finance cost" in the Consolidated Statement of Operations. An interest reserve of \$171 is included in prepaid expenses.

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10. Government Assistance/Economic Dependence

(a) Investment Tax Credits

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, where applicable.

(b) Sustainable Development Technology Corp (SDTC)

In December 2010, the Company became eligible for a Cdn \$5,065 grant from SDTC representing 33% of a Cdn \$15,417 project related to the development and demonstration of Electrovaya's Lithium Ion SuperPolymer® Battery for application in Plug-In Hybrid Electric Vehicles, automation of its cell production process and a feasibility study about the potential for repurposing automotive batteries for grid storage applications. The Company received Cdn \$1,742 of this grant in December, 2010 for work completed since November, 2009.

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. The Contribution shall not exceed fifty percent (50%) of the Eligible Project Costs for the Project and Electrovaya shall contribute a minimum of twenty-five percent (25%) of the Eligible Project Costs for the Project in cash, in-kind goods or services, or a combination thereof.

The Company recognized Cdn \$1,674 during the year ended September 30, 2011 under this grant.

The Company received Cdn \$1,627 in August 2011 as advance payment on the second milestone of Phase 2 for work completed since November, 2010.

The Company recognized Cdn \$1,695 during the year ended September 30, 2012.

The company received Cdn \$1,190 as advance payment on the third milestone of Phase 2 for work completed since November, 2011.

The Company recognized Cdn \$1,190 during the year ended September 30, 2013 under this grant.

A modification to the previous agreement with SDTC increased the available funding by Cdn \$3,159 and adds two more milestones to the project related to the automation of the Company's proprietary manufacturing process and additional design work on an integrated BMS and new

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battery interconnect solutions. The SDTC funding will be 31.25% of eligible project costs. An advance payment of Cdn \$2,003 was received during the quarter. This work is to be completed by December 2014.

To date, the Company has incurred costs of approximately C\$6.6 million towards Milestone 4 and C\$2.7 million towards Milestone 5, of which 28.1% or \$1,789 (Cdn \$1,834) was recognized for milestone 4 and 31.25% or \$846 was recognized for milestone 5 during the year ended September 30, 2014 under this grant. Progress and related contract revenue toward this milestone has been determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone.

As at September 30, 2014, the deferred government assistance related to the contract modification is \$18 (2013: \$1,947).

(c) Ministry of Economic Development and Trade "Next Generation of Jobs Fund"
Conditional Grant

On May 5, 2009, the Province of Ontario, as represented by the Minister of Economic Development, signed a Conditional Grant Agreement with ElectroVaya Corp. awarding Cdn \$ 16.7 million as a grant. The grant is for pre-commercialization activities over a period of five years ending on December 31, 2013. In August 2011, the Company received confirmation from Minister of Economic Development and Trade that the project has been extended to December 31, 2015. The grant is 15% of the targeted project cost of Cdn \$111.62 million and is subject to certain targets related to new job creation and investment, which if not achieved, could result in only a portion of the grant being received, or a potential claw-back of funds received by the end of the seven year period. The Company continues to review its requirements for additional capital resources and no commitments exist at the present time. In addition to discussions with various Government agencies concerning the potential funding of certain research and development and pre-commercialization activities, the Company is, on a regular basis investigating potential funding from other public and private sources.

Electrovaya received an advance of \$ 3.3 million (Cdn \$3.3 million) on June 5, 2009 and recorded this as deferred revenue. During the year ended September 30, 2011, \$1.3 million and cumulative of \$3 million of activities considered to be eligible costs and therefore reimbursable under the grant were recorded as Government assistance. During the year ended September 30, 2012, \$1.2 million and cumulative of \$4.2 million of activities considered to be eligible costs and therefore reimbursable under the grant were recorded as Government assistance. The full amount of the advance has now been recognized as revenue. During the year ended September 30, 2013, \$0.7 million and cumulative of \$4.9 million of activities considered to be eligible costs and therefore reimbursable under the grant were recorded as Government assistance. During the year ended September 30, 2014, \$0.5 million and cumulative of \$5.3 million of activities considered to be eligible costs and therefore reimbursable under the grant were recorded as Government assistance.

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(d) Norwegian Research Council

Miljobil Grenland AS ("MBG") has entered into three research programs with the Norwegian Research Council related to cell, battery module and battery pack design, manufacturing and testing. These projects fund up to 50% of eligible expenditures and currently expire at various times throughout 2013. The programs are currently on hold pending a review of MBG's updated business strategy. Since 2010, MBG has received approximately \$4 million under these programs. During the year, the programs were cancelled.

11. Innovation Norway

Innovation Norway made a loan to Miljobil Grenland AS repayable from May 2011 for \$722 (4.0 million Norwegian Kroner). As of September 30, 2014, the balance of the loan is \$412 (2.6 million Norwegian Kroner) (2013- \$480). The loan bears interest at 5.75%. The principle balance is repayable in 18 equal installments every 6 months over nine years at \$ 34 semi-annually.

The loan is secured by the property, equipment and intellectual property of Miljobil Grenland AS Annual principle payments over the next five years are as follows:

<u>Years Ending September 30</u>	
2015	\$ 34
2016	69
2017	69
2018	69
2019	69
2020	68
2021	34

12. Financial Instruments and Risk Management

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.

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 the counter-party fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example, by granting loans and receivables to

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customers, placing deposits, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	September 30, 2014	September 30, 2013
Cash and cash equivalents	\$ 969	\$ 2,604
Trade and other receivables	1,076	1,597
Carrying amount	\$ 2,045	\$ 4,201

Cash and cash equivalents are comprised of the following:

	September 30, 2014	September 30, 2013
Cash	\$ 172	\$ 1,459
Cash equivalents	797	1,145
	\$ 969	\$ 2,604

The Company's current portfolio consists of certain banker's acceptance and high interest yielding saving accounts deposits. The majority of cash and cash equivalents are held with financial institutions, each of which had at September 30, 2014 a rating of R-1 mid or above.

The Company manages its credit risk by establishing procedures to establish credit limits and approval policies. The balance in trade and other receivables is primarily attributable to trade accounts receivables and harmonized sales tax due from the federal Government of Canada which is included in other receivables. In the opinion of management, the credit risk is low and is not material.

Liquidity risk

The Company is exposed to liquidity risk from trade and other payables in the amount of \$1,358 (2013-\$1,377), Promissory Note of \$5,362 (2013-\$4,813) and the loan from Innovation Norway for \$412 (2013-\$480). Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages its liquidity risk by carefully monitoring the cash requirements and balancing them against the cash received from operations and government grants. There can be no assurance that the Company will be able to obtain adequate 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 to fulfill its obligations.

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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 fixed interest-bearing debt at 8.25% as well as a loan from Innovation Norway at 5.75%. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

Foreign currency risk

The Company is exposed to foreign currency risk. The Company's functional currency is the Canadian dollar and a majority of its revenue is derived in United States dollars. Purchases are transacted in Canadian dollars, United States dollars and Norwegian krone. The majority of the Company's operations are located primarily in Canada. Management believes the foreign exchange risk derived from any currency conversions may have a material effect on the results of its operations. The financial instruments impacted by a change in exchange rates include our exposures to the above financial assets or liabilities denominated in non-functional currencies. The amounts (owed)/held in US dollars were \$59 (September 30, 2014) and \$721 (September 30, 2013).

If the US dollar to Canadian and Norwegian Kroner foreign exchange rate changed by 2% this would change the recorded Net Loss by \$12.

Price risk

The Company is exposed to price risk. Price risk is the risk that the commodity prices that the Company charges are significantly influenced by its competitors and the commodity prices that the Company must charge to meet its competitors may not be sufficient to meet its expenses. The Company reduces the price risk by ensuring that it obtains information regarding the prices set by its competitors to ensure that its prices are appropriate. In the opinion of management, the price risk is low and is not material.

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13. Trade And Other Receivables

	September 30,	
	2014	2013
Trade receivables, gross	\$1,024	\$1,495
Allowance for credit losses	(254)	-
Trade receivables	770	1,495
Other receivables	306	102
Trade and other receivables	\$1,076	\$1,597

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

Certain trade receivables were found to be impaired and an allowance for credit losses has been recorded accordingly.

There was an outstanding balance of \$125 included in other receivables from the controlling shareholder of the Company. The loan is bearing interest at the rate prescribed by CRA and will be repayable within twelve months.

The movement in the allowance for credit losses can be reconciled as follows:

	2014	2013
Balance October 1 st	\$ -	\$ -
Impairment loss	-	-
Allowance(reversed)/provided	254	-
Balance September 30 th	\$ 254	\$ -

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14. Income Taxes

The income tax recovery differs from the amount computed by applying the Canadian statutory income tax rate of 26.50% (2013 – 26.50%) to the loss before income taxes as a result of the following:

	September 30,	
	2014	2013
Loss before income taxes	\$ (3,446)	\$ (4,561)
Expected recovery of income taxes based on statutory rates	(895)	(1,186)
Reduction in income tax recovery resulting from:		
Lower rate on manufacturing profits	12	51
Non-taxable portion of capital gain	(75)	(32)
Other permanent differences	327	90
Change in valuation allowance	631	1,138
Change in enacted tax rates	-	(61)
Income tax recovery	\$ -	\$ -

The income tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are as follows:

	September 30,	
	2014	2013
Future tax assets		
Non-capital losses carried forward	\$ 9,818	\$ 10,945
Capital assets	(191)	(67)
Unclaimed research and development expenses	4,180	3,588
Other deductible differences	250	302
	14,057	14,768
Less valuation allowance	(14,057)	(14,768)
Net future tax assets	\$ -	\$ -

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the year in which those temporary differences become deductible.

Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment. To the extent that management believes that the realization of future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is recorded against the future tax assets.

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In addition to the above temporary differences, the Company has unrecorded non-refundable investment tax credits amounting to approximately \$5,743 (2013 – \$6,209) which begin to expire in 2014. During the year, the Company recognized \$268 (2013-\$292) of refundable investment tax credits.

As at September 30, 2014, the expiration dates of the Company's federal non-capital income tax losses carried forward are as follows:

2015	\$	853
2022		978
2023		106
2024		337
2025		38
2026		19,498
2027		4,783
2028		4,691
2029		223
2030		1,085
2031		273
2032		894
2033		2,137
2034		1,739
	\$	37,635

Miljobil Grenland AS has \$5,864 of tax losses which, under Norwegian law, have no defined expiry period.

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.

15. Financing

On February 10, 2014, Electrovaya Inc. issued a promissory note to a syndicate of lenders for Cdn \$6.25 million at 8.25% per annum for 24 months, secured by a first mortgage on its land and building, a General Security Agreement, an assignment of an interest reserve for \$485, intercorporate guarantees from 1408871 Ontario Inc. and Electrovaya Corp, a guarantee from the controlling shareholder and one million common share purchase warrants at an exercise price of Cnd \$0.65 per share exercisable immediately for a period of 24 months.

On June 13, 2014, Electrovaya raised \$2.8 million (Cdn \$2.9 million) through the private placement of 3,237,601 units, with each units consisting of 1 common share at Cdn \$0.90 and one-half share purchase warrant. Each share warrant is exercisable into one common share of the Company within a period of 18 months at a price of Cdn \$1.25 per share.

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16. Contingencies

i) Industry Canada

Electrovaya has modified an earlier repayment schedule with Technology Partnerships Canada. Fixed repayments of a nominal amount will begin on October 1, 2017.

ii) Warranty

During the year, Electrovaya Company, registered in Delaware, agreed to settle a nominal portion of a warranty claim, consisting of payments of \$75 by October, 2014, \$100 by January, 2015 and \$100 by April, 2015. All these amounts have been recorded as warranty expense at this year end.

iii) Miljobil

During the year, a supplier obtained a court order for \$155 (GBP 90) related to a dispute concerning work performed for Miljobil prior to Electrovaya's acquisition. This amount has been recorded in the financial statements.

17. Letter of guarantee

On June 30, 2009, the Company arranged for a letter of guarantee held by Royal Bank of Canada, in the amount of \$25,000. The beneficiary of this letter of guarantee is Travellers Guarantee Company of Canada. The letter of guarantee has an expiry date of June 29, 2015.

18. Subsequent Event

In November, 2014, the Company entered into an agreement for a private placement on a "best-efforts" basis in accordance with the "accredited investor" exemption found in section 2.3 of National Instrument 45-106, Prospectus and Registration Exemptions. The Board has approved a raise of up to Cdn \$3,500,000 or 5,000,000 Units, with each Unit consisting of one common share and one common share purchase warrant. The conditional approval letter from the TSX allows for the closing of the transaction at any time up to February 1, 2015 at a subscription price of Cdn \$0.70 per Unit, each Unit consisting of one common shares of the Company and on common share purchase warrant (the "Warrant"), each whole Warrant exercisable for one common share at a price of Cdn \$1.05 per share, with a term of 36 months from the closing date. TSX understands that up to an additional 700,000 Units may be issued as broker warrants with the same terms as the Units and Warrants described above.

The TSX has confirmed that the controlling shareholder may participate in a share loan and pledge transaction, loaning freely tradable shares to certain subscribers. TSX also further confirms that the controlling shareholder will not be receiving any fees or other consideration in connection with the loan and pledge transaction.

TSX has accepted notice of the proposed private placement, and has conditionally approved for listing up to an additional 10,700,000 common shares issuable thereto.

On December 24, 2014, the Company received the first tranche of this financing, totaling \$558.