

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

## **ELECTROFUEL INC.**

Three months ended December 31, 2000, with comparative  
figures for three months ended December 31, 1999  
and Balance Sheet for September 30, 2000  
(Unaudited)

# ELECTROFUEL INC.

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

December 31, 2000 and September 30, 2000

	December 31, 2000	September 30, 2000
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 44,420,051	\$ 6,337,345
Short-term investments	-	12,999,585
Accounts receivable	320,465	184,920
Investment tax credits recoverable	596,710	593,740
Goods and services tax receivable	468,810	255,007
Inventory	255,977	81,418
Prepaid expenses and other	622,159	460,647
	<u>46,684,172</u>	<u>20,912,662</u>
Deferred finance charges	-	1,838,870
Capital assets	11,844,379	8,143,340
	<u>\$ 58,528,551</u>	<u>\$ 30,894,872</u>
<b>Liabilities and Shareholder' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,143,971	\$ 1,767,024
Income taxes payable	-	64,956
	<u>1,143,971</u>	<u>1,831,980</u>
Shareholders' equity:		
Share capital (note 3)	63,678,464	35,385,197
Cumulative translation adjustment	(42,428)	(1,045,673)
Deficit accumulated during development stage	(6,251,456)	(5,276,632)
	<u>57,384,580</u>	<u>29,062,892</u>
	<u>\$ 58,528,551</u>	<u>\$ 30,894,872</u>

See accompanying notes to consolidated financial statements.

# ELECTROFUEL INC.

Consolidated Statements of Operations and Deficit  
(Expressed in U.S. dollars)

Three months ended December 31, 2000, with comparative figures for  
three months ended December 31, 1999

	2000	1999
Revenue	\$ 123,709	\$ -
Expenses:		
Research and development	504,753	242,503
Sales and marketing	343,968	97,384
General and administrative	810,673	266,431
	<u>1,659,394</u>	<u>606,318</u>
Loss from operations	1,535,685	606,318
Other income	(82,421)	-
Interest income	(495,938)	(26,379)
Loss (gain) from foreign exchange	17,498	(52)
	<u>(560,861)</u>	<u>(26,431)</u>
Loss for the period	974,824	579,887
Deficit accumulated during development stage, beginning of period	5,276,632	3,293,884
Deficit accumulated during development stage, end of period	<u>\$ 6,251,456</u>	<u>\$ 3,873,771</u>
Loss per common share (note 4)	<u>\$ 0.02</u>	<u>\$ 0.01</u>

See accompanying notes to consolidated financial statements.

# ELECTROFUEL INC.

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

Three months ended December 31, 2000, with comparative figures for  
three months ended December 31, 1999

	2000	1999
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (974,824)	\$ (579,887)
Amortization which does not involve cash	100,843	61,868
Common shares issued for services or on acquisition of patents	-	132,940
Change in non-cash operating working capital	462,472	(58,774)
	<u>(411,509)</u>	<u>(443,853)</u>
Financing activities:		
Proceeds from issue of common shares (note 3a)	28,293,267	-
Investing activities:		
Additions to capital assets	(3,762,194)	(95,705)
Disposition of short-term investments	12,999,585	-
	<u>9,237,391</u>	<u>(95,705)</u>
Increase (decrease) in cash and cash equivalents	37,119,149	(539,558)
Effect of currency translation adjustments on cash and cash equivalents	963,557	7,824
Cash and cash equivalents, beginning of period	6,337,345	2,377,981
Cash and cash equivalents, end of period	<u>\$ 44,420,051</u>	<u>\$ 1,846,247</u>

See accompanying notes to consolidated financial statements.

# ELECTROFUEL INC.

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

Three months ended December 31, 2000 and 1999  
and for the year ended September 30, 2000

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**1. Change in reporting currency:**

The company adopted the U.S. dollar as its reporting currency effective October 1, 1999

**2. Comparative Figures:**

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

**3. Share capital:**

On August 2, 2000, the Company's shareholders authorized a three-for-one stock split, which became effective on September 18, 2000. All references to common shares, common shares outstanding, stock options and per share amounts in these financial statements have been restated to reflect this three-for-one stock split on a retroactive basis.

(a) On November 10, 2000, the Company issued 6,250,000 common shares at Cdn \$8.00 per common share for gross proceeds of \$32.4 million (Cdn \$50,000,000) and net proceeds of \$28.3 million after deducting underwriting commissions and expenses of the offering.

(b) On November 9, 2000, the Company issued, for no consideration, a total of 25,000 charitable warrants to three charitable organizations. Each charitable warrant entitles the holder to receive, for cash consideration of \$5.24 (Cdn \$8.00), one common share. The charitable warrants are fully vested, non-transferable and will expire 10 years from the date of closing of the offering of common shares.

**4. Loss per share:**

The net loss per share has been calculated using the weighted average number of common shares outstanding during the periods, which are as follows:

December 31, 2000	62,761,774
December 31, 1999	54,512,031

Common share purchase options or other potential dilutive common shares were not considered for each of the periods presented since their effect would be anti-dilutive.