



News for Immediate Release:

ELECTROFUEL ANNOUNCES THIRD QUARTER RESULTS Revenue Grows by 149% and Employees Increase by 17% in the Quarter

Toronto, Ontario – August 20, 2001 – Electrofuel Inc. (TSE: EFL) announced today its results for the nine months ended June 30, 2001. Revenue grew by 149% and employment increased by 17% in the third quarter as compared to the second quarter of 2001. Electrofuel's fiscal year end is September 30. All dollar amounts are in U.S. dollars.

Financial Results

Revenue for the three months ended June 30, 2001 was \$365 thousand compared with \$11 thousand in the three months ended June 30, 2000 and \$147 thousand in the three months ended March 31, 2001, a 149% increase quarter over quarter. The increase resulted from shipments of the PowerPad 160 rechargeable laptop computer battery from the Company's new production plant in Mississauga. Revenue for the first nine months of fiscal 2001 was \$635 thousand compared with \$11 thousand in the same nine months of fiscal 2000.

The Company incurred start-up and manufacturing expenses of \$489 thousand in the current quarter and \$799 thousand in the nine months year-to-date as commercial production started to ramp-up.

Research and development expenses increased to \$627 thousand in the third quarter from \$247 thousand last year. For the nine month periods, research and development expenses rose to \$1.6 million from \$760 thousand, due primarily to the development of our PowerPad family of products for portable computers and the EF2100 cellular phone battery, and R&D costs associated with other products and the new Mississauga plant.

Sales and marketing expenses increased to \$395 thousand in the three months ended June 30, 2001 from \$232 thousand in the same quarter last year. Sales and marketing expenses rose to \$1.1 million for the nine month period from \$485 thousand a year earlier, reflecting an increase in marketing, personnel, trade shows, advertising and other costs associated with our products and in anticipation of sales from our Mississauga plant.

General and administrative expenses increased to \$1.0 million this quarter from \$738 thousand in the third quarter of 2000. On a year to date basis, general and administrative expenses increased to \$3.6 million from \$1.7 million in the prior year due to an increase in corporate staff, legal and consulting fees and the costs relating to the Mississauga plant.

The net loss for the third quarter was \$2.2 million or three cents per share compared with \$367 thousand or one cent per share in the same period in fiscal 2000. The net loss for the nine month period was \$4.8 million or seven cents per share compared to \$1.6 million or three cents per share for the same nine months of fiscal 2000.

Cash and short-term investments remained strong at \$35.0 million as the Company contained the cash consumption rate to \$3.3 million for the current quarter, down from \$6.1 million in the second quarter and \$12.5 million year-to-date. Capital expenditures, primarily for the completion and equipment of the plant, were \$2.4 million in the third quarter, \$2.8 million in the second quarter and \$8.9 million for the nine months this year.

Operational Highlights

On November 10, 2000, Electrofuel began trading on the Toronto Stock Exchange. The net proceeds of the initial public offering, \$28.3 million, have been used in part to build a high volume manufacturing facility in Mississauga, Ontario.

During the nine months, the Company continued to make inroads into the portable computer battery market and a number of significant purchase orders were received. In June, we strengthened our product line with the addition of the PowerPad 120 external battery for portable computers.

The Mississauga plant started ramping up production in April 2001. As the Company transitions from a late stage development company to an early stage commercial manufacturer, manufacturing volumes will increase. Accordingly revenues are expected to nearly double in the fourth quarter from the third quarter level as a result of increases in product availability and the addition of revenues generated by the PowerPad 120.

Conference Call

The company will host a web-casting session on Tuesday August 21, 2001 at 11:00am EDT. The conference call will be available to all interested investors. The dial-in number is 877-228-3373. The conference call will be web-cast and may be listened to on-line at <http://www.ef010821.tsw.ca>.

About Electrofuel

Electrofuel Inc. develops, markets and sells products using its proprietary lithium ion SuperPolymer rechargeable battery technology, which delivers the highest energy density levels of any battery technology on the market today. Electrofuel's goal is to become the leading provider of portable power for the notebook computer and wireless sectors, and to apply its technology to a broad spectrum of alternative energy applications over the long term. Electrofuel is a public company trading on the Toronto Stock Exchange under the symbol EFL.

For more information about Electrofuel and its products, please visit our website at www.electrofuel.com.

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