



*News for Immediate Release*

## **ELECTROVAYA ANNOUNCES STRONG REVENUE GROWTH IN FIRST QUARTER 2002**

**Toronto, Ontario** – February 11, 2002 – Electrofuel Inc. (TSE:EFL) (“Electrovaya”), the producer of lithium-ion SuperPolymer™ battery products, today announced its financial results for the first quarter ended December 31, 2001. All figures are in U.S. dollars unless otherwise indicated.

### **First Quarter Highlights**

- Revenue of \$515,000 increased more than 315% annually and 35% sequentially (quarter-to-quarter)
- Signed distribution agreements with D&H Distributing and Micro Warehouse, two leading U.S. resellers and catalogue houses
- Expanded production capacity to build an inventory position

### **Subsequent 2002 Highlights**

- January shipments set monthly record of more than \$400,000
- Formalized distribution agreement with Hartco Enterprises, the largest Canadian computer distributor, and Zones, a major catalogue house and B2B channel

In thousands of US\$ except per share amounts	Three months ended		
	December 31, 2001	December 31, 2000	September 30, 2001
Revenue	\$515	\$124	\$382
Expenses	2,226	1,660	3,464
Loss from operations	1,711	1,536	3,082
Loss for the quarter	1,367	975	2,387
Loss per share	\$0.02	\$0.02	\$0.04
Cash & investments	\$27,239	\$44,420	\$30,707
Total assets	\$47,350	58,529	\$49,638

“Electrovaya gained sales momentum during the first quarter through new channels to market and broader sales and marketing initiatives,” said Sankar Das Gupta, Chairman and CEO of Electrovaya. “We delivered on our commitment to increase production in line with sales and now are building inventories to meet anticipated demand in the short term. We also expanded our market access through leading distributors and catalogue houses to drive this demand and propel our top-line growth. Also, most importantly, we have significantly improved our base technology, reaching an energy density of 213 watt-hours per kilogram.”

### **First Quarter Results**

In the first quarter of fiscal 2002, Electrovaya reported revenue of \$515,000, an increase of 315% over \$124,000 in the first quarter of 2001. Revenue increased by 35% sequentially over the fourth quarter of fiscal 2001, reflecting new distributors of the Company’s PowerPad 120 and 160 products and higher sales to corporate customers, catalogue houses and individuals.

The cost of goods sold during the quarter totalled \$659,000 and included materials, labour and overhead costs associated with the production of commercial PowerPad units. There are no comparable data from the previous year, since commercial production began in April 2001 during the company's third quarter of fiscal 2001.

Research and development (R&D) expenses, net of investment tax credits, decreased to \$264,000 in the three months ended December 31, 2001 from \$505,000 in the three months ended December 31, 2000. This decrease primarily reflects the commercialization of PowerPad products in 2001, as well as plant commissioning and equipment testing, which concluded in April 2001. R&D efforts in the first quarter of fiscal 2002 focused on improving production methodology, improving technology and developing new products, such as a cell phone battery.

Sales and marketing expenses increased to \$469,000 in the quarter, from \$344,000 a year ago. The increase primarily reflects increases in sales and marketing staff, greater participation at trade shows, including Comdex and Go Mobile, and higher advertising and other costs associated with sales of the PowerPad product line.

General and administrative expenses decreased to \$445,000 in the quarter, from \$710,000 a year ago. This decrease reflects reductions in legal, recruiting and consulting fees and travel expense as well as the allocation of plant overheads to cost of sales in the current quarter.

The loss from operations before interest, taxes and amortization decreased to \$1.3 million in the quarter, from \$1.4 million in the same quarter last year, as a result of higher revenues partially offset by related sales and marketing expenses.

Interest income decreased to \$213,000 in the quarter, from \$496,000 a year ago. The company derived interest in both periods from cash and short-term investments. The decrease reflects the lower short-term interest rates on a lower level of investments in the first quarter of fiscal 2002.

The net loss for the first quarter was \$1.4 million, compared with a net loss of \$1.0 million in the first quarter of last year. The loss per share was \$0.02, unchanged from last year.

### **Capital Resources**

Cash and short-term investments remained strong at \$27.2 million, as the company reduced the cash consumption rate to \$3.5 million for the first quarter of fiscal 2002 from \$4.3 million in the fourth quarter of 2001. Cash consumed in the first quarter of fiscal 2001 totalled \$4.9 million. Capital expenditures, primarily for production equipment for the Company's second phase expansion, were \$702,000 in the first quarter of fiscal 2002.

### **Outlook**

"As demonstrated by our first quarter and January sales, we see continued strong interest in our PowerPad products worldwide and expect that sales will increase throughout fiscal 2002," said Dr. Das Gupta. "We also expect to see improving product margins throughout the fiscal year as fixed costs per unit decrease with increased production volume. We have significantly improved our base technology and expect new product offerings. We are aggressively creating a Global Marketing Network for our present products and a network through which we will launch our future products."

### **Conference Call Notice**

Electrovaya will host a conference call on Tuesday, February 12, 2002 at 10:00 am EST. The call can be accessed by dialling (888) 863-1556 or through a replay available at 800-558-5253 (call #20 30 49 41). The call will be web cast live on the Internet at [www.electrovaya.com](http://www.electrovaya.com) and [www.newswire.ca/webcast/](http://www.newswire.ca/webcast/).

**Annual & Special Meeting of Shareholders**

Electrovaya's Annual and Special Meeting of Shareholders will be held on Tuesday, March 26, 2002 at 4:00 pm EST at the TSE Conference Centre. The Centre is located at ground level in the Exchange Tower of First Canadian Place, 130 King Street West (at York Street) in Toronto.

**About Electrovaya**

*Electrovaya is the commercial name of Electrofuel Inc. The Company develops, manufactures and sells products using its proprietary lithium ion SuperPolymer™ rechargeable battery technology, which delivers the highest energy density level of any battery technology on the market today. The Company'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. Shares of Electrofuel Inc. trade on The Toronto Stock Exchange under the symbol EFL. For more information about the Company and its products, please visit our website at [www.electrovaya.com](http://www.electrovaya.com).*

**Forward-Looking Statements**

*This news release may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. Risks are outlined in the Company's MD&A for the fiscal year ended September 30, 2001 and are set forth in public disclosure documents filed with Canadian regulatory authorities. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

**Financial statements and notes are attached.**

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# ELECTROFUEL INC.

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

	December 31, 2001 (Unaudited)	September 30, 2001 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 8,851	\$ 2,436
Short-term investments	18,388	28,269
Accounts receivable	315	301
Investment tax credits recoverable	643	652
Goods and Services Tax receivable	236	167
Inventories under consignment	60	-
Inventories (note 3)	3,244	1,836
Prepaid expenses and other	92	476
	<u>31,829</u>	<u>34,137</u>
Capital assets	15,521	15,501
	<u>\$ 47,350</u>	<u>\$ 49,638</u>

## Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable and accrued liabilities	\$ 575	\$ 1,110
Income taxes payable	37	37
	<u>612</u>	<u>1,147</u>
Shareholders' equity		
Share capital (note 4)	63,729	63,729
Cumulative translation adjustment	(3,178)	(2,792)
Deficit	<u>(13,813)</u>	<u>(12,446)</u>
	46,738	48,491
	<u>\$ 47,350</u>	<u>\$ 49,638</u>

See accompanying notes to consolidated financial statements.

These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2001.

# ELECTROFUEL INC.

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

	Three months ended December 31,	
	2001	2000
Revenue	\$ 515	\$ 124
Cost of goods sold	659	—
Gross margin	(144)	124
Operating expenses		
Research and development	264	505
Sales and marketing	469	344
General and administrative	445	710
	1,178	1,559
Loss before interest, taxes and amortization	1,322	1,435
Amortization	389	101
Loss from operations	1,711	1,536
Interest income	(213)	(496)
Other income	(93)	(82)
(Gain) loss from foreign exchange	(38)	17
	(344)	(561)
Net loss for the period	1,367	975
Deficit, beginning of period	12,446	5,277
Deficit, end of period	\$ 13,813	\$ 6,252
Loss per common share, basic and diluted	\$ 0.02	\$ 0.02
Weighted average number of shares outstanding, basic and diluted	69,539,109	62,761,774

See accompanying notes to consolidated financial statements.

These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2001.

# ELECTROFUEL INC.

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

	Three months ended December 31,	
	2001	2000
Cash provided by (used in)		
Operating activities		
Loss for the period	\$ (1,367)	\$ (975)
Amortization which does not involve cash	389	101
Change in non-cash operating working capital	(1,696)	(1,251)
	(2,674)	(2,125)
Financing activities		
Proceeds from issue of common shares	–	30,006
Investing activities		
Additions to capital assets	(702)	(3,762)
Decrease in short-term investments	9,881	13,000
	9,179	9,238
Increase in cash and cash equivalents	6,505	37,119
Effect of currency translation adjustments on cash and cash equivalents	(90)	964
Cash and cash equivalents, beginning of period	2,436	6,337
Cash and cash equivalents, end of period	\$ 8,851	\$ 44,420
Supplemental disclosure of cash flow information		
Income taxes paid	\$ 33	\$ –
Interest received	580	316

See accompanying notes to consolidated financial statements.

These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended September 30, 2001.

# ELECTROFUEL INC.

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

Three months ended December 31, 2001

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## 1. Nature of operations

Electrofuel Inc. is an early stage manufacturer and marketer of advanced, high energy, rechargeable batteries based on its patented lithium ion SuperPolymer™ technology. During the period the Company ramped up production and sales and expects to continue to develop its product lines and explore other potential applications using the developed technology.

The Company has no distinct operating segments and has no operating assets located outside of Canada. The Company has not experienced any seasonal variation in revenue as it has just commenced production and sales in the last fiscal year.

The Company prepares its financial statements in accordance with accounting principles generally accepted in Canada. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

## 2. Significant accounting policies

The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles (GAAP) for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2001.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated financial statements, except the following:

- (i) In the first quarter of fiscal 2002, the Company adopted retroactively the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3500 "Earnings per share," which requires the use of the treasury stock method for calculating diluted earnings per share. Under this method, Electrofuel's basic loss per share is unaffected and its common share purchase options are anti-dilutive.
- (ii) In April 2001, the Company commenced production of commercial units at its new manufacturing facility in Mississauga. All of the materials, labour and overhead costs associated with the production of commercial units are included in Cost of goods sold. As production had not yet commenced in the Mississauga facility in the first quarter of 2001, there is no comparable amount for that period.

# ELECTROFUEL INC.

Notes to Consolidated Financial Statements (continued)

(Expressed in Thousands of U.S. dollars)

(Unaudited)

Three months ended December 31, 2001

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The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary to present fairly the financial position of the Company as at December 31, 2001 and the results of operations and cash flows for the three months ended December 31, 2001 and 2000.

### 3. Inventories

Inventories consist of

	December 31, 2001	September 30, 2001
Raw materials	\$ 1,184	\$ 924
Work in progress	1,777	767
Finished goods	283	145
	<u>\$ 3,244</u>	<u>\$ 1,836</u>

### 4. Share capital

As at December 31, 2001, the Company had outstanding 69,539,109 common shares and 1,612,600 options to acquire common shares under the Company's employee incentive plan.

### 5. Comparative figures

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