

# ELECTROFUEL INC.

## INFORMATION CIRCULAR

The enclosed proxy is solicited by the Board of Directors and Management of **Electrofuel Inc.** (the "Corporation") to be used at the Annual and Special Meeting of Shareholders of the Corporation (the "Meeting") to be held on the 26<sup>th</sup> day of March, 2002 and any adjournment thereof, called for the purposes set forth in the accompanying Notice of Meeting.

### Voting Shares and Principal Holders Thereof

As at February 19, 2002 (the record date for the Meeting), there were 69,539,109 common shares of the Corporation issued and outstanding. Each registered holder of a common share of the Corporation as of the close of business on February 19, 2002 will be entitled to one vote for each common share held on the matters to be voted upon at the Meeting.

To the knowledge of the directors and officers of the Corporation, the only persons who beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding common shares of the Corporation are (i) Dr. Sankar Das Gupta, who beneficially owns 23,953,739 common shares, being approximately 34.4% of the currently outstanding common shares of the Corporation; and (ii) Dr. James K. Jacobs, who beneficially owns 23,953,739 common shares, being approximately 34.4% of the currently outstanding common shares of the Corporation.

### Annual Report

A copy of the Corporation's annual report for the year ended September 30, 2001 is enclosed. Confirmation of the resolution to receive the Annual Report will not constitute approval or disapproval of any of the matters referred to therein.

### Election of Directors

Seven directors are to be elected at the Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. **Unless otherwise directed, the persons named in the enclosed proxy will vote for the election as directors of the nominees named below. All such nominees, with the exception of Dr. Pandit Patil, are presently directors of the Corporation whose term of office expires at the time of the Meeting unless they are then re-elected.** In case any of the nominees should become unavailable for election for any presently unforeseen reason, the persons named in the proxy will have the right to use their discretion in selecting a substitute. The following information is submitted with respect to the nominees for directors:

<b>Name, Office in the Corporation (if any) and Principal Occupation</b>	<b>Director Since</b>	<b>Common Shares Beneficially owned as at Feb. 19, 2002</b>	<b>Options held as at Feb. 19, 2002</b>
Dr. Sankar Das Gupta Chairman of the Board, President and Chief Executive Officer of the Corporation	1996	23,953,739	150,000
Dr. James K. Jacobs Executive Vice-President, Chief Technology Officer and Secretary of the Corporation	1996	23,953,739	150,000
Dr. Bejoy Das Gupta <sup>(2)</sup> Deputy Director, Institute of International Finance	1999	99,672	14,000
Sydney R. McMorran <sup>(1)(2)</sup> Corporate Director, retired Vice Chairman, Toronto-Dominion Bank	1999	9,814	14,000
George Paterson <sup>(1)(2)</sup> Board member of Northern Trust of Canada since 1991; Board member of BEST Labour Fund since 1996; retired Treasurer of IBM Canada Inc.	1999	9,814	14,000
Dr. Michael L. Gopikanth <sup>(1)</sup> Senior Product Marketing Manager, Macrovision, Inc.; prior to that Global Product Manager, Ericsson Mobile Phones	2001	-	2,000
Dr. Pandit, Patil Former Director of the Office of Advanced Automotive Technologies of the United States Department of Energy; former Vice Chairman of the Partnership For a New Generation of Vehicles; former Director for Technology Advancement, QUANTUM Technology, Inc.	-	-	-

(1) Audit Committee Member

(2) Corporate Governance and Compensation Committee Member

## **Statement of Executive Compensation**

### ***Summary Compensation***

As the Corporation has adopted the U.S. dollar as its reporting currency, all amounts shown below and all references in this information circular to “dollar”, “dollars” or “\$” refer to the lawful currency of the United States of America, unless otherwise expressly stated. All references in this information circular to “Cdn \$” or to “Canadian dollars” refer to the lawful currency of Canada.

For the year ended September 30, 2001, we paid approximately \$1,375,000 to our executive officers and directors for services rendered in all capacities. The following table sets

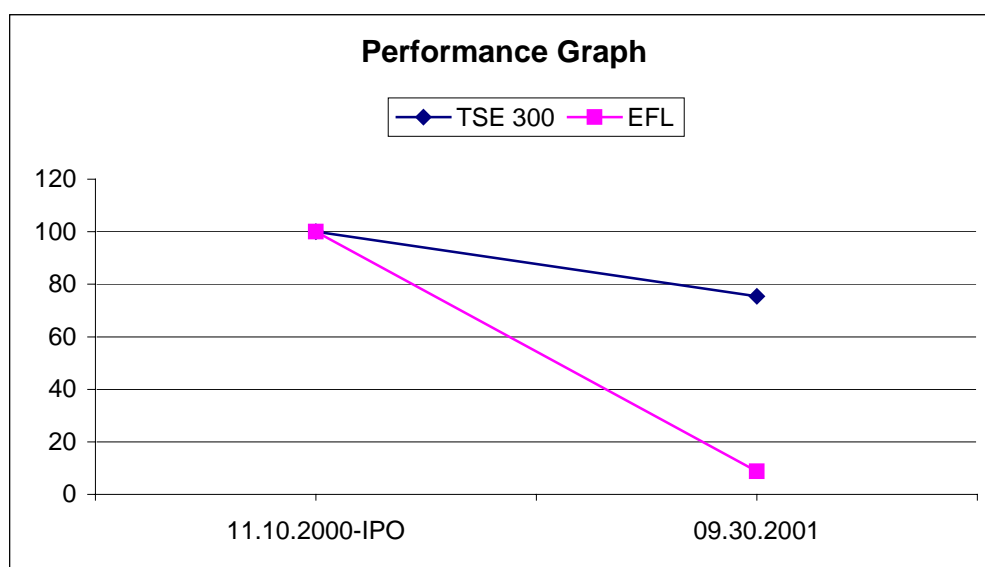
forth all compensation paid by the Corporation to its Chief Executive Officer and its four other most highly compensated executive officers whose total salary and bonus exceeded Cdn \$100,000 (approximately \$65,108) in the fiscal years indicated.

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation
		Salary	Other Annual Compensation	Number of Securities Underlying Options Granted
Sankar Das Gupta..... Chairman, President & Chief Executive Officer	2001	\$ 142,113	\$ 57,425 <sup>(1)</sup>	-
	2000	99,600	11,810 <sup>(2)</sup>	-
	1999	99,600	5,200 <sup>(3)</sup>	150,000
James K. Jacobs..... Executive Vice President, Chief Technology Officer and Secretary	2001	\$ 142,113	\$ 57,425 <sup>(1)</sup>	-
	2000	99,600	11,810 <sup>(2)</sup>	-
	1999	99,600	5,200 <sup>(3)</sup>	150,000
Upkar Arora..... Chief Financial Officer	2001	\$ 39,664	\$ 683,638	-
	2000	49,300	-	525,000
Patrick McCool..... Vice President Sales & Marketing	2001	\$170,000	\$ -	30,000
	2000	-	-	90,000

- (1) consists of a monthly car allowance of \$814 and a bonus of \$48,831
- (2) consists of a monthly car allowance of \$442 and a bonus of \$6,600.
- (3) consists of a monthly car allowance of \$442.

In August 2001, Mr. Paul Van Damme joined the Corporation as Vice President, Finance and Chief Financial Officer at an annual salary of \$131,000.



TSE 300	\$100.00	\$75.40
EFL	\$100.00	\$8.80

***Option Grants During Fiscal 2001***

The Corporation granted the following options under its stock option plan to the named executive officers during the fiscal year ended September 30, 2001.

<u>Name</u>	<u>Common Shares Under Options Granted</u>	<u>% of Total Options Granted in 2001</u>	<u>Exercise Price Per Share</u>	<u>Market Value of Common Shares Underlying Options on Date of Grant</u>	<u>Expiration Date <sup>(1)</sup></u>
Patrick McCool.....	30,000	8.4%	\$1.95	\$1.95	August 2011
Paul Van Damme.....	166,000	46.2%	\$1.95	\$1.95	August 2011

(1) One-third of the options granted vest in August 2002, and an additional one-third will vest in each of August 2003 and August 2004.

***Options Exercised in Fiscal 2001 and Fiscal Year-End Option Values***

The named executive officers did not exercise any options during the year ended September 30, 2001. Mr. Upkar Arora received \$683,638 as shown on the Summary Compensation Table above in exchange for the surrender of his stock options. The following table sets forth the estimated value of the exercisable and unexercisable options held by these officers. The value of an “in-the-money” option represents the difference between the aggregate fair market value of the common shares issuable upon exercise of the option, as determined by the Toronto Stock Exchange, and the aggregate exercise price of the option.

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options at September 30, 2001.</u>		<u>Value of Unexercised [in-the-money] Options at September 30, 2001</u>	
	<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Sankar Das Gupta.....	100,000	50,000	Nil	Nil
James K. Jacobs.....	100,000	50,000	Nil	Nil
Patrick McCool.....	30,000	90,000	Nil	Nil
Paul Van Paul Damme.....	Nil	166,000	Nil	Nil

***Director, Officer and Employee Stock Options***

As of September 30, 2001, the directors, officers and employees of the Corporation, as a group, held options to purchase an aggregate of 1,612,600 common shares as follows:

<u>Common Shares Under Options Granted</u>	<u>Exercise Price Per Share</u>
1,078,100	\$ 1.13
219,000	1.95
140,000	5.24
85,500	5.33
90,000	8.00

These options expire on various dates between August 2009 and August 2011.

As of September 30, 2001, the directors and officers of the Corporation, as a group, held options to purchase an aggregate of 644,000 common shares as follows:

<u>Common Shares Under Options Granted</u>	<u>Exercise Price Per Share</u>
324,000	\$ 1.13
206,000	1.95
24,000	5.24
90,000	8.00

These will expire on various dates between August 2009 and August 2011.

### ***Compensation of Directors***

Each non-employee director is paid an annual fee of \$5,209. The retainer is payable, at the option of the director, in cash or common shares, subject to the approval of the Toronto Stock Exchange. In fiscal 2001, each non-employee director received his retainer in cash. In fiscal 2001, each non-employee director also received options to purchase 6,000 and 2,000 common shares with an exercise price of \$5.24 and \$1.95 per share, respectively with respect to their being a director of the Corporation in 2000 and 2001. These options vest over a three-year period and expire in November 2010 and August 2011, respectively. In fiscal 2000 and 1999, each non-employee director received 1,014 and 4,800 common shares with a value of \$5.33 and \$1.13 per share, respectively, as determined by the Corporation's Board of Directors on the date of grant in payment of his annual fee. In fiscal 1999, each non-employee director also received options to purchase 6,000 common shares with an exercise price of \$1.13 per share. These options vest over a three-year period and expire in August 2009.

From time to time, the Corporation uses the services of non-employee directors as consultants and compensates them for their services on a fair market basis, in cash or common shares. In fiscal 1999, Dr. Bejoy Das Gupta received 78,858 common shares and Mr. Arif Maskatia, a former director, received 38,571 common shares, in each case with a value of \$1.13 per share as determined by the Corporation's Board of Directors on the date of grant, for consulting services they provided to the Corporation. In fiscal 2000, Mr. Arif Maskatia received \$60,000 for consulting services he provided to the Corporation. During a period in which the Corporation did not have a full-time Chief Financial Officer, Dr. Bejoy Das Gupta assisted the Corporation with various financial matters and introduced the Corporation to various members of the financial community. Mr. Maskatia introduced the Corporation and its products to key contacts in the computer industry and provided the Corporation with a range of advice and services relating to its various marketing initiatives. In fiscal 2001, there were no payments made to non-executive directors for consulting services.

### ***Employment Contracts***

In May 2001, Dr. Sankar Das Gupta, the Chairman, President and Chief Executive Officer of the Corporation, and Dr. Jacobs, the Executive Vice President, Chief Technology Officer and Secretary of the Corporation, entered into new employment agreements with the Corporation. Pursuant to their employment agreements, each of Drs. Das Gupta and Jacobs is entitled to an annual salary of Cdn \$250,000, a car allowance and other benefits competitive with industry standards. The Corporation retains all proprietary and intellectual property rights in everything created, developed or conceived of by either of them while employed with the

Corporation. The employment agreements require that the founders devote substantially all of their business time and energies to the business and affairs of the Corporation. The employment agreements continue until terminated in accordance with their terms. If terminated without cause, each agreement entitles the employee to receive two years' salary. Their employment agreements contain non-competition and non-solicitation covenants during their respective terms of employment and for two years thereafter and also contain confidentiality covenants applicable during the terms of employment and indefinitely thereafter.

In August 2001 and December 2001, Mr. Paul Van Damme, the Vice President, Finance and Chief Financial Officer and Mr. Patrick McCool, the Vice President, Sales and Marketing, entered into employment agreements with the Corporation. Pursuant to their employment agreements, Mr. Van Damme and Mr. McCool are entitled to an annual salary of Cdn \$201,000 and \$170,000 respectively and benefits competitive with industry standards. The agreements include similar obligations and terms as described above for Drs. Das Gupta and Jacobs. If terminated without cause, each agreement entitles the employee to receive one year's salary.

The Corporation also has non-disclosure agreements with all of its employees which apply during and after the term of their employment.

The Corporation does not have a key-man employee life insurance policy with respect to any of its executive officers.

### ***Stock Option Plan***

The purpose of the Corporation's stock option plan is to attract, retain and motivate key employees, officers, directors and consultants. The Corporate Governance and Compensation Committee of the Board of Directors administers the plan and determines the eligibility of individuals to participate in the plan and the terms of options and stock appreciation rights granted under the plan. The Board of Directors reserved 5,400,000 shares for issuance under the plan. All options or stock appreciation rights granted under the plan will have a maximum term of 10 years and have an exercise price per share of not less than the market value of the Corporation's common shares on the date of grant. If a participant's employment is terminated without cause, the vested portion of any grant will remain exercisable until their expiration date and any unvested options or stock appreciation rights will expire on termination, unless the options or stock appreciation rights would have vested within six months or within the required statutory notice period, in which case they will remain exercisable until their expiration date. In the event of termination for cause, the vested portion of any grant will remain exercisable for a period of 30 days after the date the person ceases to be an employee and the unvested balance shall terminate. In the event of termination due to death or disability, the participant's options or stock appreciation rights may be exercised within 12 months of the participant's death or disability, to the extent that such options or stock appreciation rights would have otherwise been exercisable prior to the first anniversary of the participant's death or disability. 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 Corporation's common shares are listed.

### ***Directors' and Officers' Indemnification and Insurance***

Under the *Business Corporations Act* (Ontario), the Corporation is permitted to indemnify its directors and officers and former directors and officers against costs and expenses,

including amounts paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which they are made parties because of their position as directors or officers, including an action against the Corporation. In order to be entitled to indemnification under this Act, the director or officer must act honestly and in good faith with a view to the best interests of the Corporation, and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the director or officer must have reasonable grounds for believing that his or her conduct was lawful.

Under its by-law, the Corporation may indemnify, as required or permitted by the *Business Corporations Act* (Ontario), its current and former directors and officers, any person who acts or has acted on its behalf as a director or officer of a corporation of which the Corporation is or was a shareholder or creditor, and any of their heirs and legal representatives.

The Corporation has purchased directors' and officers' liability insurance for the benefit of its directors and officers and those of its subsidiaries. The Corporation's premium for that insurance in fiscal 2001 was \$128,739. The aggregate insurance coverage obtained under that policy was \$35 million per year with a \$100,000 deductible for claims under the policy by directors and officers of the Corporation. For fiscal 2002, the Corporation has purchased a new directors' and officers' liability insurance policy which provides aggregate insurance coverage of \$25 million per year with a \$100,000 deductible for claims by directors and officers of the Corporation.

#### ***Indebtedness of Directors and Senior Officers***

None of the directors or senior officers is indebted to the Corporation or was indebted to the Corporation at any time during the fiscal year ended September 30, 2001.

#### **Report on Executive Compensation**

The Corporation's compensation policy contains three components: salary, annual cash incentives (bonuses) and stock options. These elements are part of the overall compensation strategy of retaining highly qualified executive officers, motivating individuals by relating compensation to achievement of corporate performance goals, providing fair and competitive compensation, rewarding personal performance and maintaining a sense of identification with shareholder interests. The compensation of executive officers, including the Chairman, President and Chief Executive Officer, is reviewed annually. The Corporate Governance and Compensation Committee recommends to the Board of Directors for approval the salary levels, bonus potential and entitlement, and granting of stock options of all senior executives.

In making their recommendations, the Corporate Governance and Compensation Committee considers, together with the President, the performance of the particular executive officer. In general, the bonuses, which are considered on an annual basis by the Corporate Governance and Compensation Committee, are not automatic and are intended to recognize exceptional current performance. At the end of each fiscal year, the performance of the executive officer during such year is reviewed against the success achieved by each such officer in carrying out his responsibilities to the Corporation. Compensation of the Chairman, President and Chief Executive Officer is determined by the Corporate Governance and Compensation Committee using the same principles as those applied to compensation of other executive officers.

This report on executive compensation was prepared by the members of the Corporate Governance and Compensation Committee.

BEJOY DAS GUPTA  
SYDNEY R. McMORRAN  
GEORGE PATERSON

### **Statement of Corporate Governance Practices**

The Company Manual of The Toronto Stock Exchange (on which the Corporation's common shares are listed) require disclosure on an annual basis of the approach to corporate governance by companies listed on such exchange. The Company Manual requires disclosure of the Corporation's system of corporate governance with reference to certain guidelines proposed in the December 1994 report of The Toronto Stock Exchange Committee on Corporate Governance in Canada (the "TSE Report"). There is no requirement for the Corporation to comply with the guidelines developed in the TSE Report, and the report itself recognizes that each company should have the flexibility to develop its own approach to corporate governance. The report's focus is on the importance of each corporation addressing the governance issue in its own context and the receipt by the investment community of an explanation for the corporation's approach to governance.

The Board of Directors of the Corporation has constituted a Corporate Governance and Compensation Committee consisting solely of outside directors (i.e. directors who are neither officers nor employees of the Corporation or any of its subsidiaries) in order to review and, if deemed necessary, to recommend changes to the corporate governance practices of the Corporation.

### **The Board of Directors**

The Corporation's Board of Directors is responsible for the supervision of the management of the Corporation's business and affairs. Under its governing statute (the *Business Corporations Act* (Ontario)), the Board is required to carry out its duties with a view to the best interests of the Corporation. To assist it in fulfilling this responsibility, the Board has specifically recognized its responsibility for the following areas:

- (a) adoption of a strategic planning process;
- (b) the identification of the principal risks of the Corporation's business and monitoring the implementation of appropriate systems to manage these risks;
- (c) succession planning, including appointing, training and monitoring senior management;
- (d) the implementation of a communications policy to facilitate communications with shareholders and others involved with the Corporation; and
- (e) the integrity of the Corporation's internal control and management information systems.



The frequency of the meetings of the Board of Directors as well as the nature of agenda items change depending upon the state of the Corporation's affairs and in light of opportunities or risks which the Corporation faces.

Much of the discussion in the TSE Report focuses on the composition of the Board of Directors of the Corporation and, in particular, on the number of "unrelated directors" who make up such Board. In the TSE Report, an "unrelated director" is a director who is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with that director's ability to act with a view to the best interest of the Corporation, other than an interest arising from shareholding. The TSE Report also focuses on the importance of having an appropriate portion of board members who are free from any interest or relationships with a significant shareholder of the Corporation, defined in the report as a shareholder controlling more than 50% of the voting securities. Dr. Sankar Das Gupta and Dr. James K. Jacobs each hold approximately 34.4% of the Corporation's outstanding common shares.

The Board has concluded that Sydney R. McMorran, George Paterson and Michael L. Gopikanth are each clearly "unrelated" within the meaning of the TSE Report.

The Board believes that its relationship with management in supervising the management of the business and affairs of the Corporation is appropriate and will continue to monitor carefully the Corporation in the future.

## **Committees**

The Board and its committees (consisting of an Audit Committee and the Corporate Governance and Compensation Committee) operate efficiently and are available to consider the views of management and investors concerning their needs and decisions affecting the Corporation. Both committees are composed of outside directors who are predominantly "unrelated directors" as defined in the TSE Report.

### ***Audit Committee***

The Audit Committee operates under guidelines established by the Canadian Securities Administrators in 1990 and follows recommendations of the Corporation's outside auditors to enhance the effectiveness of those published guidelines. In addition to carrying out its statutory legal responsibilities (including review of the Corporation's annual financial statements prior to their presentation to the Board) the Audit Committee reviews all financial reporting, including interim financial statements and management's discussion and analysis in the Corporation's annual report. The Audit Committee meets with the Corporation's external auditors at least twice a year and with members of management at least four times a year (and more frequently as necessary) to assist it in the effective discharge of its duties. The Audit Committee also recommends to the Board the auditors to be appointed as the Corporation's auditors at the annual meeting and the terms of their remuneration.

### ***Corporate Governance and Compensation Committee***

The Corporate Governance and Compensation Committee supports the Board with the development, review, planning and implementation of the Corporation's approach to governance

issues including recommending to the Board limits to management's responsibilities. At present, in addition to those matters which must by law be approved by the Board, management is required to seek Board approval for any transaction which is out of the ordinary course of business.

The Corporate Governance and Compensation Committee is also responsible for reviewing the Corporation's overall compensation philosophy and corporate succession and development plans at the executive officer level. It has responsibility for the establishment of the Corporation's compensation policy and its implementation through an effective total compensation program. The report of this committee for the last fiscal year is presented on page seven in this information circular.

In addition, the Corporate Governance and Compensation Committee is responsible for recommending to the Board internal guidelines on corporate governance issues in the context of the Corporation's particular circumstances and to recommend the making of appropriate adjustments as necessary to accommodate the changing needs of investors and the Corporation in the context of the TSE Report's guidelines. The identification of characteristics required in new Board members and the recommendation to the Board of nominees to the Board of Directors are within the mandate of this committee. However, the actual nomination of new Board members remains with the Board of Directors of the Corporation.

#### ***Composition of the Audit and Corporate Governance and Compensation Committees***

The following are members of the Corporation's Audit Committee: Michael Gopikanth, Sydney R. McMorran and George Paterson (chair). The following are members of the Corporation's Corporate Governance and Compensation Committee: Bejoy Das Gupta, S.R. McMorran (chair) and George Paterson.

#### **Response to Shareholders**

Management is available to shareholders to respond to questions and concerns on a prompt basis. The Board believes that its communications with shareholders and the avenues available for shareholders and others interested in the Corporation to have their inquiries about the Corporation answered are responsive and effective.

#### **Expectations of Management**

The Board works closely with members of management. The Board's access to information relating to the operations of the Corporation, through the membership on the Board of Directors of two key members of management and, as necessary, the attendance by other members of management at the request of the Board, are key elements to the effective and informed functioning of the Board of the Corporation.

The Board expects the Corporation's management to take the initiative in identifying opportunities and risks affecting the Corporation's business and finding means to deal with these opportunities and risks for the benefit of the Corporation. The Board is confident that the Corporation's management responds ably to this expectation.

### **Appointment of Auditors**

**Unless otherwise directed, the persons named in the enclosed proxy will vote for the re-appointment of KPMG LLP, Chartered Accountants of Toronto, Ontario, as auditors of the Corporation,** to hold office until the next annual meeting of shareholders or until their successors are appointed, and to authorize the directors to fix their remuneration. KPMG LLP has been the auditor of the Corporation for five years.

In the absence of a contrary instruction, proxies received pursuant to this solicitation will be voted for the re-appointment of KPMG LLP, Chartered Accountants as auditor.

### **Change of Name**

This meeting has also been called in part as a special meeting to consider, and if thought fit, to approve, with or without variation, as a special resolution of the Corporation, a resolution, the text of which is set out in Schedule "A" hereto, authorizing an amendment to the Articles of the Corporation to change the name of the Corporation to "Electrovaya Inc."

As a result of the settlement of a dispute with a U.S.-based manufacturer of batteries and to eliminate confusion in the marketplace, the Corporation has decided to change its name to Electrovaya Inc. To be approved, the special resolution authorizing the foregoing must be passed by at least two-thirds of the votes cast at the Meeting by the holders of common shares.

**The persons named as proxies in the enclosed form of proxy intend to vote the shares represented thereby in favour of the special resolution to change the name of the Corporation to Electrovaya Inc. unless the form of proxy has been marked "Authority Withheld." Management recommends a vote "FOR" the special resolution to change the name of the Corporation to "Electrovaya Inc." If the resolution to change the name of the Corporation is approved, the Corporation will file Articles of Amendment to effect the change of name under the *Business Corporations Act* (Ontario).**

### **Transfer of Assets**

The Board has determined that it would be advantageous strategically and financially for the Corporation to transfer its existing operations and operating assets, including its accounts receivable and inventories, (collectively, its "Operating Assets") to a new wholly-owned subsidiary of the Corporation, which will be named "Electrovaya Corp." The new subsidiary will be responsible for manufacturing and selling the Corporation's products in Canada and internationally through its wholly-owned Barbadian subsidiary, Electrofuel Global SRL, which will be renamed "Electrovaya Global SRL" (hereinafter referred to as "Electrovaya Global SRL").

Management is also considering, for financial reasons, transferring all or a portion of the Corporation's intellectual property to Electrovaya Global SRL later this year. The Board will retain the discretion to not proceed with this transfer if circumstances change and the Board determines that it is no longer appropriate to effect such transfer.

The shareholders at the meeting will be asked to consider, and if thought fit, to approve, with or without variation, as a special resolution of the Corporation, a resolution, the text of which is set out in Schedule "A" hereto, authorizing the transfer of the Corporation's Operating

Assets to a new wholly-owned subsidiary of the Corporation and authorizing the transfer of all or a portion of the Corporation's intellectual property to Electrovaya Global SRL.

**The persons named as proxies in the enclosed form of proxy intend to vote the shares represented thereby in favour of the special resolution to transfer the Operating Assets of the Corporation to a new wholly-owned subsidiary of the Corporation, and to transfer all or a portion of the Corporation's intellectual property to Electrovaya Global SRL unless the form of proxy has been marked "Authority Withheld." Management recommends a vote "FOR" the special resolution to transfer the Operating Assets of the Corporation to a new wholly-owned subsidiary of the Corporation, and to transfer all or a portion of the Corporation's intellectual property to Electrovaya Global SRL.**

### **Right to Dissent**

Under the provisions of section 185 of the *Business Corporations Act* (Ontario), a shareholder of the Corporation is entitled to send the Corporation a written objection to the special resolution proposing to transfer the Operating Assets to a wholly-owned subsidiary of the Corporation, and to transfer all or a portion of the Corporation's intellectual property to Electrovaya Global SRL (the "Transfer of Assets Resolution"). Such objection must be sent to the Corporation at or before the Meeting. In addition to any other rights the shareholder may have, if the Transfer of Assets Resolution is approved, provided the shareholder has complied with the requirements of section 185 of the *Business Corporations Act* (Ontario), the shareholder is entitled to be paid the fair value of his, her or its shares, determined as of the close of business before the Transfer of Assets Resolution is approved.

The dissent procedure provided by section 185 of the *Business Corporations Act* (Ontario) is summarized in Schedule "B" attached hereto. The shareholder may only exercise his, her or its right to dissent with respect to the common shares of the Corporation which are registered in his, her or its name. If the shareholder fails to adhere strictly to the requirements of section 185 of the *Business Corporations Act* (Ontario), the shareholder may lose his, her or its rights to dissent under that section.

This summary of a shareholder's dissent rights, including Schedule "B" attached hereto is subject to the express provisions of section 185 of the *Business Corporations Act* (Ontario).

### **Solicitation of Proxies**

**The solicitation of proxies is made on behalf of the Board of Directors and Management of the Corporation.** The cost of preparing, assembling and mailing to the shareholders of the Corporation the Notice of the Meeting, this information circular and the form of proxy for the Meeting will be borne by the Corporation. In addition to the solicitation of proxies by mail, officers, directors and regular employees of the Corporation may, without additional compensation, deliver such proxies on behalf of the Board of Directors and Management of the Corporation personally or by telephone. The Corporation will also reimburse investment dealers, banks, custodians, nominees and other fiduciaries for their reasonable charges and expenses incurred in forwarding proxy material to beneficial owners of the Corporation's shares.

The common shares represented by the enclosed form of proxy (if the same is executed in favour of Management nominees as proxies and deposited as provided in the Notice of Meeting) will be voted and, where a choice with respect to any matter to be acted upon has been specified

in the proxy, the shares will be voted in accordance with the specifications so made. **If no choice is specified, such shares will be voted for the election of directors, for the appointment of auditors, for the change of the name of the Company and for the transfer of assets.**

Under the provisions of the *Business Corporations Act* (Ontario) a shareholder giving a proxy has the power to revoke it. The following is the revocation procedure described in section 110(4) of such Act:

“A shareholder may revoke a proxy,

- (a) by depositing an instrument in writing executed by the shareholder or by an attorney authorized in writing,
  - (i) at the registered office of the corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or
  - (ii) with the chair of the meeting on the day of the meeting or an adjournment thereof; or
- (b) in any other manner permitted by law.”

### **Appointment of Proxies**

The persons named in the enclosed proxy are directors and officers of the Corporation. **Each shareholder has the right to designate as his, her or its proxyholder a person other than the Management nominees to attend and act for such shareholder at the Meeting.** Any shareholder desiring to exercise any such right may do so by striking out the names of the Management nominees in the enclosed proxy and inserting in the space provided the name of the person which such shareholder desires to appoint as proxyholder or may do so by executing a proxy in form similar to the enclosed form. Proxies may be deposited with CIBC Mellon Trust Company, Attn.: Proxy Department, 200 Queens Quay East, Unit 6, Toronto, Ontario, M5A 4K9 prior to 4:00 p.m. (Toronto time) on or before Friday, March 22, 2002 (or if the Meeting is adjourned or postponed, on the last business day prior to the date of the adjourned or postponed Meeting) or may be deposited with the Chairman at the Meeting. However, notwithstanding the foregoing, **we urge you to sign, date and return the enclosed form of proxy by Wednesday, March 20, 2002** to assist us in preparing for the Meeting.

### **Exercise of Discretion by Proxies**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the date hereof, the Management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. If any such other matter or if any amendments to or variations of the matters identified in the Notice of Meeting should properly come before the Meeting, proxies received pursuant to this solicitation will be voted on such amendments, variations and other matters in accordance with the best judgment of the person voting the proxy.

The contents of this information circular and the mailing thereof to the shareholders of the Corporation have been approved by the Board of Directors.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "Sankar Das Gupta", written on a light-colored rectangular background.

Sankar Das Gupta  
*Chairman*

Toronto, Ontario  
February 20, 2002.

## **SCHEDULE "A"**

### **CHANGE OF NAME TO ELECTROVAYA INC.**

#### **BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. the Articles of the Corporation are hereby amended to change the name of the Corporation to Electrovaya Inc.; and
2. any officer or director of the Corporation be, and he is hereby authorized for and on behalf of the Corporation, to execute, deliver, and file all such documents, whether under the corporate seal of the Corporation or otherwise, and to do all such acts or things as may be necessary or desirable to give effect to the foregoing resolution.

### **TRANSFER OF ASSETS**

#### **BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. the Corporation transfer its existing operations and operating assets, including accounts receivable and inventories, to a new wholly-owned subsidiary of the Corporation;
2. the Corporation transfer all or a portion of its intellectual property to Electrofuel Global SRL, which is to be renamed Electrovaya Global SRL, later this year;
3. the directors of the Corporation may not proceed with these transfers without further approval of the shareholders; and
4. any officer or director of the Corporation be, and he is hereby authorized for and on behalf of the Corporation, to execute, deliver, and file all such documents, whether under the corporate seal of the Corporation or otherwise, and to do all such acts or things as may be necessary or desirable to give effect to the foregoing resolution.

## SCHEDULE “B”

### SUMMARY OF PROCEDURE TO EXERCISE DISSENT RIGHT

The procedure to be followed by a shareholder who intends to dissent in respect of the special resolution proposing to transfer the Corporation’s Operating Assets to a wholly-owned subsidiary of the Corporation, and to transfer all or a portion of the Corporation’s intellectual property to Electrovaya Global SRL (the “Transfer of Assets Resolution”) and who wishes to require the Corporation to acquire his, her or its common shares of the Corporation and to pay him, her or it the fair value thereof, determined as of the close of business on the day before the Transfer of Assets Resolution is adopted, is set out in section 185 of the *Business Corporations Act* (Ontario) (the “OBCA”).

Section 185 of the OBCA provides that a shareholder may only make such a claim with respect to all of the common shares of the Corporation held by him, her or it on behalf of any one beneficial owner and registered in the shareholder’s name. One consequence of this provision is that **a shareholder may only exercise the right to dissent under section 185 in respect of the common shares of the Corporation which are registered in that shareholder’s name.** In many cases, the common shares of the Corporation beneficially owned by a person (a “Non-Registered Holder”) are registered either: (a) in the name of an intermediary that a Non-Registered Holder deals with in respect of the common shares of the Corporation; or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (CDS)) of which the intermediary is a participant. Accordingly, a Non-Registered Holder will not be entitled to exercise the right to dissent under section 185 of the OBCA directly (unless the common shares of the Corporation are re-registered in the Non-Registered Holder’s name). A Non-Registered Holder who wishes to exercise the right to dissent should immediately contact the intermediary who the Non-Registered Holder deals with in respect of the common shares of the Corporation and either: (i) instruct the intermediary to exercise the right to dissent on the Non-Registered Holder’s behalf (which, if the common shares of the Corporation are registered in the name of CDS or another clearing agency, would require that the common shares of the Corporation first be re-registered in the name of the intermediary); or (ii) instruct the intermediary to re-register the common shares of the Corporation in the name of the Non-Registered Holder, in which case the Non-Registered Holder would have to exercise the right to dissent directly.

A registered shareholder who wishes to invoke the provisions of section 185 of the OBCA must send to the Corporation a written objection to the Transfer of Assets Resolution (the “Notice of Dissent”) at or before the time fixed for the Meeting at which the Transfer of Assets Resolution is to be voted on. The sending of a Notice of Dissent does not deprive a registered shareholder of his, her or its right to vote on the Transfer of Assets Resolution, but a vote either in person or by proxy against the Transfer of Assets Resolution does not constitute a Notice of Dissent. A vote in favour of the Transfer of Assets Resolution will deprive the registered shareholder of further rights under section 185 of the OBCA.

Within 10 days after the adoption of the Transfer of Assets Resolution by the shareholders of the Corporation, the Corporation is required to notify in writing each shareholder who has filed a Notice of Dissent and has not voted for the Transfer of Assets Resolution or withdrawn his, her or its objection (a “Dissenting Shareholder”) that the Transfer of Assets Resolution has been adopted. A Dissenting Shareholder shall, within 20 days after he, she or it receives notice of adoption of the Transfer of Assets Resolution or, if he, she or it does not receive such notice, within 20 days after he, she or it learns that the Transfer of Assets Resolution has been adopted, send to the Corporation a written notice (the “Demand for Payment”) containing his, her or its name and address, the number of common shares of the Corporation in respect of which he, she or it dissents, and a demand for payment of the fair value of such common shares of the Corporation. Within 30 days after sending his, her or its Demand for Payment, the Dissenting Shareholder shall send the certificates representing the common shares of the Corporation in respect of which he, she or it dissents to the Corporation or its transfer agent. The Corporation or the transfer agent shall endorse on the common share certificates of the Corporation, notice that the holder thereof is a Dissenting Shareholder under section 185 of the OBCA and shall forthwith return the common share certificates of the Corporation to the Dissenting Shareholder.



If a Dissenting Shareholder fails to send the Notice of Dissent, the Demand for Payment or his, her or its common share certificates of the Corporation, he, she or it has no right to make a claim under section 185 of the OBCA.

After sending a Demand for Payment, a Dissenting Shareholder ceases to have any rights as a holder of the common shares of the Corporation in respect of which he, she or it has dissented other than the right to be paid the fair value of such common shares of the Corporation as determined under section 185 of the OBCA, unless: (i) the Dissenting Shareholder withdraws his, her or its Demand for Payment before the Corporation makes a written offer to pay (the "Offer to Pay"); (ii) the Corporation fails to make a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his, her or its Demand for Payment; or (iii) the directors of the Corporation revoke the Transfer of Assets Resolution, in all of which cases the Dissenting Shareholder's rights as a shareholder are reinstated.

Not later than seven days after the later of the effective date of the Transfer of Assets and the day the Corporation receives the Demand for Payment, the Corporation shall send to each Dissenting Shareholder who has sent a Demand for Payment, an Offer to Pay for the common shares of the Corporation of the Dissenting Shareholder in respect of which he, she or it has dissented in an amount considered by the directors of the Corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Offer to Pay made to Dissenting Shareholders for the common shares of the Corporation shall be on the same terms. The amount specified in an Offer to Pay which has been accepted by a Dissenting Shareholder shall be paid by the Corporation within 10 days of the acceptance, but an Offer to Pay lapses if the Corporation has not received an acceptance thereof within 30 days after the Offer to Pay has been made.

If an Offer to Pay is not made by the Corporation or if a Dissenting Shareholder fails to accept an Offer to Pay, the Corporation may, within 50 days after the effective date of the Transfer of Assets within such further period as a court may allow, apply to the court to fix a fair value for the common shares of the Corporation of any Dissenting Shareholder. If the Corporation fails to so apply to the court, a Dissenting Shareholder may apply to the court for the same purpose within a further period of 20 days or within such further period as the court may allow. An application, whether made by the Corporation or the Dissenting Shareholder, can be made to any court having jurisdiction in the place where the Corporation has its registered office or in the province where the Dissenting Shareholder resides if the Corporation carries on business in that province. A Dissenting Shareholder is not required to give security for costs in any application to the court.

On making application to the court or on the making of an application to the court by a Dissenting Shareholder, the Corporation shall give to each Dissenting Shareholder who has sent to the Corporation a Demand for Payment and has not accepted an Offer to Pay, notice of the date, place and consequences of the application and of his, her or its right to appear and be heard in person or by counsel. All such Dissenting Shareholders shall be joined as parties to any such application to the court to fix a fair value and shall be bound by the decision rendered by the court in the proceedings commenced by such application. The court is authorized to determine whether any other person is a Dissenting Shareholder who should be joined as a party to such application.

The court shall fix a fair value for the common shares of the Corporation of all Dissenting Shareholders and may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the effective date of the Transfer of Assets until the date of payment of the amount ordered by the court. In order to assist the court in the determination of a fair value for the common shares of the Corporation, the court may appoint one or more appraisers. The final order of the court in the proceedings commenced by an application by the Corporation or a Dissenting Shareholder shall be rendered against the Corporation and in favour of each Dissenting Shareholder.

**The above is only a summary of the dissenting shareholder provisions of the OBCA, which are technical and complex. It is suggested that a shareholder of the Corporation wishing to exercise a right to dissent should seek legal advice, as failure to comply strictly with the provisions of the OBCA may result in the loss or unavailability of the right to dissent.**