

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

## **ELECTROVAYA INC.**

(Formerly Electrofuel Inc.)

Three and nine months ended June 30, 2002, with comparative  
figures for June 30, 2001 and Balance Sheet for September 30, 2001  
(Unaudited)

# ELECTROVAYA INC.

(Formerly Electrofuel Inc.)

Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	June 30, 2002 (Unaudited)	September 30, 2001 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,360	\$ 2,436
Short-term investments	19,668	28,269
Accounts receivable	838	301
Investment tax credits recoverable	674	652
Goods and Services Tax receivable	87	167
Inventories (note 3)	3,291	1,836
Prepaid expenses and other	264	476
	<u>28,182</u>	<u>34,137</u>
Capital assets	15,434	15,501
	<u>\$ 43,616</u>	<u>\$ 49,638</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,002	\$ 1,110
Income taxes payable	-	37
	<u>1,002</u>	<u>1,147</u>
Shareholders' equity		
Share capital (note 4)	63,729	63,729
Cumulative translation adjustment	(1,127)	(2,792)
Deficit	(19,988)	(12,446)
	<u>42,748</u>	<u>48,491</u>
	<u>\$ 43,616</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.

# ELECTROVAYA INC.

(Formerly 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 June 30,		Nine months ended June 30,	
	2002	2001	2002	2001
Revenue	\$ 640	\$ 364	\$ 2,315	\$ 635
Cost of goods sold	1,190	-	3,239	-
Gross margin	(550)	364	(924)	635
Operating expenses				
Start-up and manufacturing	-	489	-	799
Research and development	1,195	627	1,702	1,639
Sales and marketing	643	394	1,600	1,089
General and administrative	754	914	1,644	3,116
	2,592	2,423	4,946	6,643
Loss before the undernoted	(3,142)	(2,059)	(5,870)	(6,008)
Amortization	(615)	(142)	(1,874)	(398)
Loss from operations	(3,757)	(2,201)	(7,744)	(6,406)
Interest income	120	406	452	1,489
Gain (loss) from foreign exchange	(288)	(373)	(250)	135
	(168)	33	202	1,624
Net loss for the period	(3,924)	(2,168)	(7,542)	(4,782)
Deficit, beginning of period	(16,064)	(7,891)	(12,446)	(5,277)
Deficit, end of period	\$ (19,988)	\$ (10,059)	\$ (19,988)	\$ (10,059)
Loss per common share, basic and diluted	\$ (0.06)	\$ (0.03)	\$ (0.11)	\$ (0.07)
Weighted average number of shares outstanding, basic and fully diluted	69,539,109	69,446,566	69,539,109	67,170,297

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.

# ELECTROVAYA INC.

(Formerly Electrofuel Inc.)

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2002	2001	2002	2001
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (3,924)	\$ (2,168)	\$ (7,542)	\$ (4,782)
Amortization which does not involve cash	615	142	1,874	398
Change in non-cash operating working capital	521	(712)	(1,868)	(1,368)
	(2,788)	(2,738)	(7,536)	(5,752)
Financing activities				
Proceeds from issue of common shares	-	(2)	-	30,006
Investing activities				
Additions to capital assets	(189)	(2,415)	(1,258)	(8,939)
(Increase) decrease in short-term investments	(19,668)	(29,110)	8,601	(16,200)
	(19,857)	(31,525)	7,343	(25,139)
Decrease in cash and cash equivalents	(22,645)	(34,265)	(193)	(885)
Effect of currency translation adjustments on cash and cash equivalents	1,379	1,805	1,116	435
Cash and cash equivalents, beginning of period	24,626	38,347	2,436	6,337
Cash and cash equivalents, end of period	\$ 3,360	\$ 5,887	\$ 3,360	\$ 5,887
Supplemental disclosure of cash flow information				
Income taxes paid	\$ -	\$ -	\$ 34	\$ -
Interest received	108	536	809	1,474

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.

# ELECTROVAYA INC.

(Formerly Electrofuel Inc.)

Notes to Consolidated Financial Statements

(Expressed in thousands of U.S. dollars)

(Unaudited)

Nine months ended June 30, 2002

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## 1. Nature of operations

Electrovaya 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 increased its 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 for 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, Electrovaya'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 in 2002. In 2001, comparable costs were shown as Start-up and Manufacturing expenses.

# ELECTROVAYA INC.

(Formerly Electrofuel Inc.)

Notes to Consolidated Financial Statements (continued)

(Expressed in thousands of U.S. dollars)

(Unaudited)

Nine months ended June 30, 2002

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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 June 30, 2002 and the results of operations and cash flows for the nine months ended June 30, 2002 and 2001.

### 3. Inventories

Inventories consist of

	June 30, 2002	September 30, 2001
Raw materials	\$ 1,453	\$ 924
Work in progress	1,691	767
Finished goods	147	145
	<u>\$ 3,291</u>	<u>\$ 1,836</u>

### 4. Share capital

As at June 30, 2002, the Company had outstanding 69,539,109 common shares and 1,552,600 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 year.