



News for Immediate Release

ELECTROVAYA ANNOUNCES FOURTH QUARTER AND YEAR-END FISCAL 2004 FINANCIAL RESULTS

Year-end revenue increases by 47% over 2003 and Q4 revenue increases by 26% over Q4 2003.

Toronto, Ontario – December 9, 2004 – Electrovaya Inc. (TSX: EFL) today announced financial results for the fourth quarter and year ended September 30, 2004. All figures are in US dollars.

Highlights

- Year end FY2004 revenues increased by 47.3% to \$6.4 million from \$4.3 million in FY2003. This annual growth follows a similar 45.3% revenue growth in FY 2003 over FY 2002.
- Q4 revenues increased by 26.0% to \$1.6 million in 2004 from \$1.3 million in Q4 2003.
- Revenue less Direct Manufacturing expenses in the fourth quarter were \$ 425,000 or 26.0% of revenue, compared to negative (\$601,000) for the same quarter in the prior year.
- The Technology Partnerships Canada (“TPC”) contribution was \$149,000 for the quarter ending September 30, 2004 compared to \$1,140,000 in the quarter ending September 30, 2003.
- Cash flow for the fourth quarter was positive \$175,000 compared to a positive cash-flow of \$536,000 in the same quarter in Fiscal 2003.
- Cash & investments were \$13.6 million as at September 30, 2004.

Summary of Financial Results

In thousands of US\$ except per share amounts	3 months ended September 30		Year ending September 30	
	2004	2003	2004	2003
Revenue	\$1,636	\$1,298	\$6,369	\$4,323
Loss from operations before interest, taxes, foreign exchange and amortization*	\$(1,134)	\$(898)	\$(5,415)	\$(6,891)
Loss for the period*	\$(2,114)	\$(1,475)	\$(8,462)	\$(9,876)
Loss per share	\$0.03	\$0.02	\$0.12	\$0.14
Cash & investments	\$ 13,612	\$ 17,593	\$ 13,612	\$ 17,593

** Net of Government assistance of \$149 and \$1,140 for the quarters ending September 30, 2004 and September 30, 2003 respectively (Year ending September 30, 2004: \$666; Year ending September 30, 2003: \$1,140)*

“We are pleased with the improvement in revenues and cash flow during the quarter but we recognize the urgency of sustainable profitability and ongoing positive cash flows.” said Sankar Das Gupta, President and CEO. “This is the second year of almost 50% annual growth and we are well positioned with a pipeline of new products for FY 2005.”

Year Ending September 30, 2004

Revenue increased by 47.3% to \$6.4 million for the year ended September 30, 2004 from \$4.3 million for the year ended September 30, 2003. The year over year increase in revenue primarily resulted from growth in sales of the Scribbler Tablet PC and work for NASA.

Revenue less Direct Manufacturing costs was \$0.8 million for the year, or 13.3% of Revenue compared to negative (\$1.0 million) in fiscal 2003. This 184.0% improvement from the prior year was due to changes in the product mix to increased volumes of Scribblers and increases in service revenue.

Research and development expenses, net of investment tax credits, increased by \$0.2 million or 7.0% to \$2.8 million for the year ended September 30, 2004 from \$2.7 million in 2003.

During the year, the Company added new sales personnel in the United States, but reduced its advertising expenditures by focusing on initiatives with a higher return-on-investment and through more partnerships at key trade shows. These expenses decreased to \$1.6 million for fiscal 2004 from \$2.4 million for fiscal 2003.

Fourth Quarter

Fourth quarter revenue of \$1.6 million was up 26.0% or \$338,000 compared to \$1.3 million for the fourth quarter of fiscal 2003. This was due to higher revenues from NASA, and an increase in Scribbler revenues.

In the fourth quarter of fiscal 2004, research and development expenses increased by \$0.5 million or 106.7% from the fourth quarter of fiscal 2003 as the Company focused on R&D initiatives related to new technology, including researching new materials for the next generation SuperPolmer technology.

Sales and marketing expenses declined by \$0.3 million or 57.7% in the fourth quarter of fiscal 2004 compared to the same period in the prior year mainly due to a decrease in estimated warranty expenses due to improved quality control and a reversal of warranty reserves previously provided for software upgrades.

Compared to the fourth quarter of fiscal 2003, general and administration expenses remained relatively unchanged in the fourth quarter of fiscal 2004.

The loss from operations, before amortization, interest income and foreign exchange losses increased to \$1.1 million from \$0.9 million in the same quarter last year. Excluding the impact of TPC assistance, the loss from operations, before amortization, interest income and foreign exchange declined by 35% to \$1.3 million for the quarter ending September 30, 2004 compared to \$2.0 million in the quarter ending September 30, 2003.

The loss per share for the quarter was \$0.03 for the quarter ending September 30, 2004 compared to \$0.02 for the quarter ending September 30, 2003. When adjusted for the impact of TPC assistance, the loss per share for the quarters ending September 30, 2004 and 2003 were \$0.03 and \$0.04 respectively.

Liquidity and Capital Resources

As of September 30, 2004, the Company had \$13.6 million in cash, cash equivalents and short-term investments, an increase of \$175,000 from the quarter ending June 30, 2004. Cash used in operating activities was \$0.8 million for the quarter ended September 30, 2004.

Conference Call Notice

Electrovaya will host a conference call on December 9, 2004 at 4PM Eastern time. The call can be accessed by dialling 416-640-4127 or 800-814-4859 or through a replay available at 416-640-1917 passcode 21104751#. The call will be web cast live on the Internet at www.electrovaya.com and www.newswire.ca/en/webcast.

About Electrovaya Inc.

Electrovaya's goal is to become the leading provider of tablet PC's, portable power for the notebook computer, aerospace and wireless sectors, and to apply its technology to a broad spectrum of alternative energy applications including UPS, stand-by power and zero-emission vehicles. It develops, manufactures and sells high value products globally using award winning patented proprietary lithium ion SuperPolymer® rechargeable battery technology, which delivers the highest energy density of any battery technology on the market today. Electrovaya has designed, developed and markets the Scribbler™ Tablet PC which offers longer run time than any other Tablet PC currently available. The Company's shares 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.

For more information, please contact:

P. Hart, Chief Financial Officer
Electrovaya Inc.
tel: 905-855-4636
email: plhart@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 Annual Report for the year ending September 30, 2003 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.

ELECTROVAYA INC.

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

	September 30,	
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	\$ 2,715	\$ 6,178
Short-term investments	10,897	11,415
Accounts receivable	698	1,047
Investment tax credits recoverable	165	427
Goods and Services Tax receivable	66	55
Inventories (note 2)	2,886	2,852
Prepaid expenses and other	52	138
	<u>17,479</u>	<u>22,112</u>
Capital assets (note 3)	9,203	12,024
	<u>\$ 26,682</u>	<u>\$ 34,136</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,514	\$ 1,760
Income taxes payable	-	6
	<u>1,514</u>	<u>1,766</u>
Shareholders' equity		
Share capital (note 4)	63,745	63,729
Contributed Surplus	43	-
Cumulative translation adjustment	2,156	954
Deficit	<u>(40,776)</u>	<u>(32,313)</u>
	25,168	32,370
Commitments (note 7)		
Contingencies (note 1(h))		
	<u>\$ 26,682</u>	<u>\$ 34,136</u>

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

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

Years ended September 30, 2004 and 2003

	Years ended September 30,	
	2004	2003
Revenue	\$ 6,369	\$ 4,323
Direct manufacturing costs	5,522	5,331
	847	(1,008)
Expenses		
Research and development	2,843	2,656
Government assistance Note 1(h)	(666)	(1,140)
Sales and marketing	1,640	2,439
General and administrative	2,445	1,928
	6,262	5,883
Loss before the undernoted	5,415	6,891
Amortization	3,061	2,746
Loss from operations	8,476	9,637
Interest income	(273)	(445)
Loss from foreign exchange	260	652
	(13)	207
Loss before income taxes	8,463	9,844
Income tax expense (note 9)	-	32
Loss for the year	8,463	9,876
Deficit, beginning of year	32,313	22,437
Deficit, end of year	\$ 40,776	\$ 32,313
Basic and diluted loss per common share (note 8)	\$ 0.12	\$ 0.14

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

Consolidated Statements of Cash Flows

(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

	Years ended September 30,	
	2004	2003
Cash provided by (used in)		
Operating activities		
Loss for the year	\$ (8,463)	\$ (9,876)
Amortization which does not involve cash	3,061	2,746
Stock compensation expense	43	-
Change in non-cash operating working capital (note 11)	400	725
	(4,959)	(6,405)
Investing activities		
Reductions to short-term investments	518	6,674
Additions to capital assets	(240)	(231)
	278	443
Financing activities		
Issue of shares	16	-
Increase in cash and cash equivalents		
	(4,665)	38
Effect of currency translation adjustments on cash and cash equivalents		
	1,202	3,611
Cash and cash equivalents beginning of year		
	6,178	2,529
Cash and cash equivalents end of year		
	\$ 2,715	\$ 6,178
Supplemental disclosure of cash flow information		
Income taxes paid	\$ 50	\$ 80
Interest received	243	479

See accompanying notes to consolidated financial statements.

ELECTROVAYA INC.

Notes to Consolidated Financial Statements

(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

Electrovaya Inc. (the "Company"), incorporated in 1996 under the Business Corporations Act (Ontario), develops, manufactures and markets portable power technology products using its patented lithium ion SuperPolymer® technology.

1. Significant accounting policies

(a) Basis of presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The company has no operating assets located outside of Canada.

(b) Change in accounting policy

Prior to October 1, 2003, the Company applied the fair value based method of accounting prescribed by CICA Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments*, only to employee stock appreciation rights, and applied the settlement method of accounting to employee stock options. Under the settlement method, any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital and no compensation expense was recognized.

Effective October 1, 2003, in accordance with one of the transitional options permitted under amended Section 3870, the Company has prospectively applied the fair value based method to all employee stock options granted on or after October 1, 2003. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. During the year, due to the effect of prospectively adopting the fair value based method, there was an increase in stock based compensation expense of \$43, with a negligible impact on loss per share.

(c) Cash and cash equivalents and short term investments

Cash and cash equivalents include temporary investments in marketable securities which are readily convertible into cash and which have an original term to maturity of 90 days or less. Short term investments consist of temporary investments in marketable securities with longer terms to maturity are recorded at cost, which is equivalent to their market value.

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

1. Significant accounting policies (continued)

(d) Capital assets

Capital assets are recorded at cost less related investment tax credits and accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Building	4%
Building improvements	4%
Production equipment	20%
Workshop equipment	20%
Patents and technology	20%
Office furniture and equipment	20%
Vehicles	20%

(e) Impairment of long-lived assets

The Company reviews capital and intangible assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows that the long-lived assets are expected to generate.

(f) Research and development costs

Research costs, net of related investment tax credits, are expensed in the period in which they are incurred.

Development costs, net of related investment tax credits, are expensed in the period incurred unless such costs meet the criteria under Canadian generally accepted accounting principles for deferral and amortization. To date, the Company has not deferred any development costs.

Certain costs related to the Company's research and development efforts related to fast batteries and electric vehicles are being funded by a repayable grant from Technology Partnerships Canada (see Note 1 (h)).

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

1. Significant accounting policies (continued)

(g) Inventories

Inventories are comprised of raw materials, work in progress and finished goods. Raw materials and work in progress are recorded at the lower of cost and replacement cost. Finished goods are recorded at the lower of cost and net realizable value.

(h) Government assistance

The Company receives indirect financial assistance from the government by way of the investment tax credit program. This program provides assistance, by way of direct payments and reductions in corporate income taxes, for specially defined qualifying expenditures. Investment tax credits are credited against the related research and development expenses, or capital assets.

The Company has been approved for funding under the Technology Partnerships Canada initiative of Industry Canada. The funding is to support the Company's research and development efforts in fast rate batteries and electric vehicles. The Company will receive contributions of up to 29.7% of the specified costs of the development project, to a maximum amount of \$6,700. Under the terms of the agreement, an amount up to a maximum of \$31,075 is to be repaid by royalties, commencing in 2007 through to 2013, with payment to be deferred or reduced if certain revenue thresholds are not achieved. The Company's first claim for \$1,140 was received in September, 2003. Additional claims for \$666 were received in fiscal 2004.

(i) Revenue recognition

Revenue is recognized when title to the goods transfers to customers and collection is reasonably assured. Provision is made for potential sales returns at the time of shipment. Where an estimate of the potential sales return cannot be made, the sale is not recorded until the distributor has sold the product. For services, revenue is recognized as each milestone is achieved and accepted by the customer.

(j) Warranty costs

Warranty costs are provided for as revenues are earned.

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

1. Significant accounting policies (continued)

(k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Actual results may differ from the estimates. Sales returns are estimated at the time of delivery based on past experience and customer specific factors. Bad debts are determined based on the ageing of accounts receivable where such amounts are not insured and considered uncollectible.

Warranty accruals are based on the actual warranty experience rate for the past year and sales during the most recent warranty period.

The Company operates in a competitive market subject to fast-paced technological changes. The Company has estimated the provisions for sales returns, warranty costs and obsolete inventory based on historical patterns, communication with its distributors, industry trends and existing competitive pressures. Significant changes in technology or competitors' products could result in a material change in the rate of sales returns.

(l) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is not more likely than not that the asset will be realized.

(m) Currency translation

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into Canadian dollars (which is considered to be the measurement currency) at the exchange rates prevailing at the balance sheet date, and transactions denominated in foreign currencies which are included in operations are

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

Significant accounting policies (continued)

(m) Currency translation (continued)

translated at the average rates for the period. Exchange gains and losses resulting from the translation of these amounts are reflected in the statement of operations in the period in which they occur.

As the Company's reporting currency is the U.S. dollar, the Company translates assets and liabilities denominated in Canadian dollars into U.S. dollars at the exchange rate prevailing at the balance sheet date, and the results of operations at the average rate for the period. Cumulative net translation adjustments are included as a separate component of shareholders' equity.

(n) Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of common and potential common shares outstanding during the year, if dilutive.

2. Inventories

	September 30,	
	2004	2003
Raw materials	\$ 1,052	\$ 1,095
Work in progress	1,725	1,703
Finished goods	109	54
	<u>\$ 2,886</u>	<u>\$ 2,852</u>

3. Capital assets

September 30, 2004	Cost	Accumulated amortization	Net book value
Land	\$ 1,991	\$ —	\$ 1,991
Building	624	126	498
Building improvements	5,334	1,006	4,328
Production equipment	9,032	7,216	1,816
Workshop equipment	1,064	1,019	45
	299		
Patents and technology	1,245	859	386
Office furniture and equipment	488	354	134
Vehicles	34	29	5
	<u>\$ 19,812</u>	<u>\$ 10,609</u>	<u>\$ 9,203</u>

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

3. Capital assets (continued)

September 30, 2003	Cost	Accumulated amortization	Net book value
Land	\$ 1,991	\$ -	\$ 1,991
Building	624	96	528
Building improvements	5,334	716	4,618
Production equipment	9,021	5,138	3,883
Workshop equipment	1,064	765	299
Patents and technology	1,035	570	465
Office furniture and equipment	467	241	226
Vehicles	34	20	14
	\$ 19,570	\$ 7,546	\$ 12,024

4. Share capital

(a) Authorized and issued capital stock

Authorized
Unlimited common shares

Issued	Common Shares Number	Amount	Special Warrants Number	Amount
Balance, September 30, 2002 & 2003	69,539,109	63,729		
Stock options exercised	36,333	16		
Balance, September 30, 2004	69,575,442	\$ 63,745	-	\$ -

(b) Stock options

The Company has reserved up to 5,400,000 common shares for issuance under the stock option plan. Option to purchase common shares of the Company under its stock option plan may be granted by the Board of Directors of the Company to certain full-time and part-time employees, directors and consultants of the Company and its affiliates. Stock options are non-assignable and may be granted for terms of up to 10 years. Stock options vest at various periods from zero to three years. To date, the Company has granted options to purchase 3,322,833 common shares and 2,000,934 remain outstanding (2003 - 1,594,933) at prices ranging from \$ 0.49 to \$8.00 per share. These options have a weighted average remaining life of 6.63 years.

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

4. Share capital (continued)

The following table reflects activity under the Plan from September 30, 2001 through September 30, 2004 and the weighted average exercise prices:

	Number	Weighted average exercise prices
Outstanding, September 30, 2002	1,847,599	\$ 1.80
Granted	25,000	0.50
Cancelled or expired	(277,666)	2.31
Outstanding, September 30, 2003	1,594,933	\$ 1.91
Granted	475,000	0.81
Cancelled or expired	(32,666)	1.35
Exercised	(36,333)	0.46
Outstanding, September 30, 2004	2,000,934	1.75

During the year, the Company granted options to purchase shares of common stock to certain employees totaling 435,000 at a price of \$0.87 per share as well as 40,000 options at \$0.71.

The compensation costs reflected in these amounts were calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of approximately 4.4%, a dividend yield of 0%, an expected volatility of 111% and expected lives of stock options of 10 years. The costs are amortized over the vesting period which is 3 years.

The weighted average grant date fair value of the 475,000 options issued during the year was \$0.76.

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

4. Share capital (continued)

Exercise price	Options outstanding as at September 30, 2004			Options exercisable as at September 30, 2004	
	Number outstanding	Weighted average price	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price
\$ 0.49 (Cdn\$0.62)	253,668	\$ 0.49	7.86	162,008	\$ 0.49
0.54 (Cdn\$0.68)	25,000	0.54	8.17	8,335	0.54
0.71 (Cdn\$0.90)	40,000	0.71	9.86	-	0.71
0.87 (Cdn\$1.10)	430,000	0.87	9.64	-	0.87
1.32 (Cdn\$1.67)	908,100	1.32	4.89	908,100	1.32
2.37 (Cdn\$3.00)	83,000	2.37	6.87	83,000	2.37
5.24	96,666	5.24	6.09	96,666	5.24
5.33	85,500	5.33	5.37	85,500	5.33
6.33 (Cdn\$8.00)	19,000	6.33	6.09	19,000	6.33
8.00	60,000	8.00	5.95	60,000	8.00
	2,000,934	1.75	6.63	1,422,609	2.13

5. Financial instruments

(a) Fair values

The reported values of the financial instruments, which consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near-term maturity of those instruments.

(b) Foreign currency risk

The Company is exposed to foreign currency fluctuations to the extent that the Company is holding significant cash and cash equivalent balances denominated in U.S. dollars. The Company does not hedge the risk related to fluctuations of the exchange rate between U.S. and Canadian dollars.

(c) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company performs periodic credit evaluations of the financial condition of its customers and typically does not require

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

5. Financial instruments (continued)

collateral from them. Allowances are maintained for potential credit losses consistent with the credit risk of specific customers, historical trends and other information. Credit losses have been within management's range of expectations. The company also insures some of its accounts receivable.

6. Related Party Transactions

The Company leased its Hanna Avenue premises in Toronto, Ontario, from a company owned by its controlling shareholders for \$209 per year plus GST and business tax. The lease was renewed from January 1, 2003 to December 31, 2003. In June 2003, the Company secured an additional 11,800 square feet at \$80 per year plus GST and business tax until December, 2003, with one rent-free month. Beginning in January 2004, the Company occupied these premises on a monthly basis. In April 2004, the premises were sold by the controlling shareholders to an independent third party for consideration that included a vendor-take back mortgage.

Electrovaya has invested \$115 in a private company engaged in the business of producing and evaluating new materials in return for 6% of its Class A and 21% of its Class B shares, subsequently providing research and development services totaling \$153 in consideration of 30% of additional non-voting, participating Class B shares. The Class B shares are convertible into Class A voting, participating shares in the event the company becomes registered on a stock exchange. During the second quarter, Electrovaya provided a \$38 loan to the company to assist with the operation of a pilot plant. The original investment, additional shares and loan have been valued at Nil as at the end of September 30, 2004.

7. Commitments

The Company's future minimum lease payments under operating leases for the years ending September 30 are as follows:

2005	21
2006	7
2007	2
	<hr/>
	\$ 30

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

8. Loss per share

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

September 30, 2004	69,553,913
September 30, 2003	69,539,109

Common share purchase options or other potential dilutive common share issuances were not considered in the calculation of diluted loss per share for each of the periods presented since their effect would be anti-dilutive.

9. Income taxes

The provision for income taxes differs from the amount computed by applying the combined federal and provincial income tax rate of 36.23% (2003 – 37.1%) to the loss before income tax recovery as a result of the following:

	Years ended September 30,	
	2004	2003
Loss before income taxes	\$ (8,463)	\$ (9,844)
Computed expected tax recovery	(3,066)	(3,652)
Reduction in income tax recovery resulting from:		
Lower rate on manufacturing profits	70	192
Permanent differences	(712)	191
Change in valuation allowance	5,314	3,101
Change in enacted tax rates	(375)	139
Foreign operations taxed at a lower rate	2	29
Large corporations tax	-	32
Benefit of previous unrecorded losses	(1,233)	-
Income tax expense	\$ -	\$ 32

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

9. Income taxes (continued)

- (b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are as follows:

	Years ended September 30,	
	2004	2003
Future tax assets		
Non-capital losses carried forward	\$ 10,552	\$ 6,744
Share issue costs	37	184
Capital assets	1,922	1,556
Non deductible reserves	109	102
Unclaimed research and development expenses	2,750	1,477
Capital losses carried forward	7	-
	15,377	10,063
Less valuation allowance	(15,377)	(10,063)
Net future tax assets	\$ -	\$ -

In addition to the above temporary differences, the Company has unrecorded non-refundable investment tax credits ("ITCs") amounting to approximately \$2,042 which begin to expire in 2007.

As at September 30, 2004, the expiration dates of the Company's tax losses carried forward are as follows:

2005	\$ 581
2006	871
2007	1,032
2008	5,801
2009	7,543
2010	5,176
2011	3,024
2023	1,084
2024	106
	\$ 25,218

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

9. Income taxes (continued)

ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment.

10. Major customers

During 2004, three customers represented 48% (2003 - 58%) of total revenue and 72% (2003 - 50%) of trade accounts receivable.

11. Change in non-cash operating working capital

	Years ended September 30,	
	2004	2003
Accounts receivable	\$ 349	\$ (285)
Investment tax credits recoverable	262	(49)
Goods and Services Tax receivable	(11)	108
Inventories	(34)	472
Prepaid expenses and other	86	(25)
Accounts payable and accrued liabilities	(246)	540
Income taxes payable	(6)	(36)
	<hr/>	<hr/>
	\$ 400	\$ 725

ELECTROVAYA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in Thousands of U.S. dollars, except per share amounts)

Years ended September 30, 2004 and 2003

12. Segmented information

The Company has reviewed its operations and determined that it operates in one business segment and has only one reporting unit. The Company develops, manufactures and markets portable power technology products using its patented lithium ion "SuperPolymer" technology.

(a) Revenues from major business activities were as follows:

	2004	2003
Aerospace	\$ 1,357	\$ 10
Consumer electronics	4,481	3,774
Other	531	539
	<hr/>	<hr/>
	\$ 6,369	\$ 4,323

(b) Revenues attributed to regions based on location of customer were as follows:

	2004	2003
Canada	\$ 962	\$ 1,026
United States & Others	5,407	3,297
	<hr/>	<hr/>
	\$ 6,369	\$ 4,323