

FOR IMMEDIATE RELEASE

25 June 2008

PROTONEX TECHNOLOGY CORPORATION

Interim Results for the Six Months Ended 31 March 2008 (Unaudited)

DATELINE: SOUTHBOROUGH, MA; Protonex Technology Corporation (LSE: AIM: PTX and PTXU), ("Protonex" or the "Company"), a leading provider of advanced fuel cell power systems for portable, remote and mobile applications today announces its interim results for the six months ended 31 March 2008.

H1 2008 Highlights:

- Revenues up 48 percent to \$3.2 million for the half-year period ended 31 March 2008 (H1 2007: \$2.1 million)
- Delivering on all operational and development objectives; on track for initial commercial and consumer products at end of calendar year 2008
- Transitioned 250-watt methanol-fuelled system and other proton exchange membrane fuel cell platforms towards initial commercial and military products
- Completed a \$3.5 million programme with the U.S. Army with delivery of ten Pulse™ M250 fuel cell units to several U.S. military agencies for evaluation
- Awarded a \$3.65 million follow-on contract from the U.S. Army to continue the development of a next-generation version of Pulse™ M250
- Demonstrated a nine-hour flight of a fuel cell-powered unmanned aerial vehicle (UAV) with industry leader AeroVironment, extending flight duration by as much as four times compared to advanced batteries
- Received a \$1.05 million contract with U.S. Navy for advanced development of high power fuel cell systems for unmanned aerial vehicles
- Minor impact of U.S. government program start delays to result in a percentage of Company's revenues moving to fiscal 2009
- Continued development of solid oxide fuel cell platforms; meeting milestones on joint development effort with Cummins
- Awarded \$0.93 million in additional military contracts for the development of unmanned ground vehicle propulsion and advanced power management systems
- Established PTXU trading line to enable CREST electronic trading for eligible unrestricted shares
- Strong financial position with \$28.2 million in cash and cash equivalents at end of period

Post Period End Highlights:

- Received a \$0.57 million enhancement to the aforementioned \$1.05 million contract with U.S. Navy for advanced development of high power fuel cell systems for unmanned aerial vehicles (April 2008)
- Received a \$0.35 million extension to the U.S. Army's \$3.65 million Pulse™ M250 contract to fund Raytheon participation and other ruggedisation and testing activities (May 2008)

H1 Results Summary:

	Six Months Ended 31 March 2008	Six Months Ended 31 March 2007
Revenues	\$ 3,158,388	\$ 2,133,228
Operating expenses	\$ 9,162,212	\$ 6,123,900
Net loss	\$ (5,580,422)	\$ (3,537,713)
Net cash outflow	\$ (5,655,654)	\$ (4,693,215)

Commenting on the results, Scott Pearson, CEO of Protonex, said:

"The global demand for environmentally friendly and energy efficient power sources, which fuel cells are beginning to offer, has created a highly positive market opportunity for the unusual combination of innovative and commercial strengths which Protonex possesses."

"Protonex is rapidly transitioning its fuel cell technology into high performance products offering tangible value to commercial, consumer and military markets. In addition to its ongoing military efforts,

the Company is aggressively developing the commercial and consumer segments of its business and is targeting several key product launches throughout 2009.”

The Company's Half Year Report will be mailed on 25 June 2008, and pursuant to Rule 26 of the AIM Rules for Companies, will also be made available on the Company website: www.protonex.com

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Notes to Editors

About Protonex Technology Corporation

www.protonex.com

Protonex Technology Corporation develops and manufactures compact, lightweight and high-performance fuel cell systems for portable power applications in the ten to 1000-watt range. The Company's fuel cell systems are designed to meet the needs of military and original equipment manufacturer (OEM) customers for off-grid applications underserved by existing technologies by providing customizable, stand-alone portable power solutions and systems that may be hybridized with existing power technologies. The Company is headquartered in Southborough, Massachusetts.

Letter from Chairman and from Chief Executive

25 June 2008

PROTONEX TECHNOLOGY CORPORATION

Interim Results for the Six Months Ended 31 March 2008 (Unaudited)

In the half year ended 31 March 2008, Protonex continued its progress towards launching its first commercial and military product offerings. With a strong balance sheet and support from industry leaders including Parker Hannifin, Raytheon and Cummins, the Company has made steady progress on its overarching mission of developing viable, scalable products for commercial, military, and consumer applications. Leveraging the technical achievements from its many military product programmes, Protonex is now also focused on aggressively developing the consumer side of the business. Results thus far are encouraging, and we have more clearly defined our position as a leader in the alternative portable power marketplace.

Financial review

Revenues for the six months ended 31 March 2008 totalled \$3.2 million, an increase of 48 percent over the comparative period in 2007. All of the revenue during the period was associated with U.S. government sponsored development contracts. In comparison, revenues during the six months ended 31 March 2007 were \$2.1 million, of which \$1.6 million was associated with U.S. government sponsored development contracts.

As the Company continues to grow and invest in its future business, operating expenses have increased to \$9.2 million for the six months ended 31 March 2008 from \$6.1 million for the six months ended 31 March 2007. This resulted in an increase in the net loss for the six months ended 31 March 2008 to \$5.6 million from \$3.5 million in the six months ended 31 March 2007. The increase in operating expenses was planned and was primarily the result of the acquisition of Mesoscopic Devices in April 2007, the significant expansion in the size of the technical and manufacturing operations, increased spending on research and development and marketing programmes and higher stock-based compensation costs.

Capital expenditures of \$0.2 million during the six months, for facilities and equipment, has enhanced the Company's ability to develop and test its fuel cell systems more quickly and effectively. It has also enabled additional steps towards the scaling up of its pilot and low volume manufacturing capability. In comparison, capital expenditures for the six months ended 31 March 2007 were \$0.8 million.

The Company's liquidity position is strong with \$28.2 million in cash and cash equivalents at 31 March 2008. The cash used in operating activities during the six months was \$5.5 million. Overall cash outflow for the six months ended 31 March 2008 was \$5.7 million compared with \$4.7 million for the six months ended 31 March 2007.

Operating performance

Operations in this most recent half-year period continued to meet our expectations for the Company, as well as those of our expanding group of customers and strategic partners. As we proceed according to the objectives of our business plan, we expect to see significant changes in our day-to-day operations as we move from technology and prototype product development to production of initial saleable units for our target markets. We believe the solid foundation we have built, centred on carefully calculated growth and deliberate execution, will enable us to continue our tradition of consistently meeting our anticipated milestones. Looking forward to the second half of 2008, we are eager to continue on our path towards launching our first civilian and military product offerings, which will deliver us into an exciting new phase of our business.

At this key stage of Protonex' growth, securing and delivering on military product development contracts is serving the Company well. Our performance in this area is critical to our present and future success for several reasons. Firstly, government contracts provide Protonex, as an emerging business, with a valuable initial revenue stream. Secondly, as the primary customer for one of the Company's major product lines, the military has been a vital source of support, from both a product refinement and a business development standpoint. Thirdly, Protonex' efforts on this front and its collaboration with military groups are expected to lead to significant product revenue as systems that are already being tested and evaluated by the military approach field-readiness. Finally, the technology advancements and product platforms resulting from military contract activities are expected directly to benefit and enable the commercial side of Protonex' business.

Major progress on Pulse™ M250, a 250-watt power system designed for a diverse set of portable military applications, resulted in an in-period delivery of ten units to several U.S. military agencies for evaluation. This initial beta shipment marked the successful completion of a \$3.5 million U.S. Army contract that began in March 2007. To accelerate efforts to evolve the Pulse™ M250 system into its final field-ready form, Protonex was awarded follow-on contracts of \$3.65 million and \$0.35 million from the Army Research Office (ARO) in March 2008 and May 2008, respectively. This \$4.0 million total programme brings the cumulative value of contracts received to date from the U.S. Army for Pulse™ M250 to \$7.5 million. Protonex' repeated selection for these

Letter from Chairman and from Chief Executive (Continued)

awards is a credit to our proven ability to deliver leading-edge, highly durable, affordable power systems that meet stringent military standards.

In parallel with the Pulse™ M250 efforts to address military applications, development of non-military versions of the product is also underway. These systems, called Quantum™ M250 and Xtend™ M250, will target consumer and commercial applications, in the form of portable generators for backup power and rack-mounted units for information technology (IT) and telecommunications. These programmes are drawing heavily upon the technical advancements made on Protonex' military product development efforts.

Also during the half-year period, Protonex made significant progress on its ultra-high-performance unmanned aerial vehicle (UAV) propulsion systems. The Company continues to demonstrate the utility of its Pulse™ UAV fuel cell power systems with a series of highly successful UAV test flights. Recently and in collaboration with development partners AeroVironment and the U.S. Air Force Research Laboratory (AFRL), a Protonex fuel cell system enabled AeroVironment's Puma UAV platform to fly continuously for over nine hours. Comparatively, the Puma UAV is able to fly for only two to three hours on advanced military batteries. This latest test flight represented almost a 400 percent increase in the flight duration of this UAV platform.

With the successful completion of this major milestone, we are now focused on transitioning Pulse™ UAV into a saleable product for propulsion of small UAVs with specific payloads and mission requirements for both military and commercial applications. We are currently in discussions with many of the major U.S.-based UAV airframe and systems manufacturers to facilitate integration of our propulsion technology into their UAVs. The opportunity in this market is significant, as increased endurance and payload capacity are critical capabilities for small UAVs and are not feasible with battery technologies.

Our solid oxide fuel cell (SOFC) system development is progressing on target as well. Mesoscopic Devices, a leading developer of SOFC technology acquired by Protonex in April 2007, has been successfully integrated into our organization and the resulting SOFC development unit is now functioning well as an integral part of the Protonex team. Our SOFC platforms are evolving rapidly, and a new SOFC tube development line is now in place to drive further advancement of these systems with next-generation materials sets and manufacturing methods.

The Company's major programme for SOFC system development remains on track. In partnership with Cummins Power Generation, a business group of Cummins Inc., Protonex is developing a two-kilowatt diesel-fuelled SOFC system for on-highway truck auxiliary power. To date, all Protonex milestones under this contract, awarded by the U.S. Department of Energy, have been met. In parallel with this programme, efforts are progressing on-schedule to integrate an SOFC power system into a demonstration unit for commercial mobile applications. At present, we are focusing on designing our initial SOFC power systems around key logistical fuels, such as propane, diesel, kerosene, and selected military fuels.

Manufacturing operations are evolving along with our product development efforts, with our in-house capabilities expanding to handle pilot and low-volume manufacturing demands. Our strategy entails outsourcing to leading global contract manufacturers once volumes increase, and evaluation and selection of these partners is moving ahead.

Outlook

We are delivering on our milestones for the fiscal year 2008, as originally outlined in our 2007 annual report. These milestones include transitioning from building prototypes to manufacturing saleable fuel cell systems and from delivering units only to the military to producing products for both the military and non-military markets. This is truly an exciting and important period for the Company.

Our PEM product development efforts are proceeding rapidly and we are targeting our first M250 product sales into several commercial and consumer applications at the beginning of the second quarter of fiscal 2009. Because we are essentially creating a new product category, the Directors expect that it could take one to three quarters to develop significant sales ramps from these initial PEM product introductions. In addition, the Company continues to work with an expanding set of global original equipment manufacturers (OEMs) interested in developing custom versions of Protonex' fuel cell systems. These products would be marketed and sold into the OEMs' target markets under their respective brands. We expect to begin placing evaluation units with these OEMs later this summer and anticipate initial OEM products to begin shipping in the second half of our fiscal 2009. Finally, the company anticipates that several of its emerging military product platforms (including Pulse™ UAV, Pulse™ M250) will receive the required military certifications and be positioned for low to mid volume orders in mid to late fiscal 2009.

In spite of a generally challenging environment for U.S. government program funds, Protonex continues to successfully identify, capture and deliver on a steady stream of strategically-aligned development contracts. These government programs have been shifting in size and scope as Protonex evolves, transitioning from smaller, early stage technology development contracts to larger contracts to develop, manufacture, test and deploy field-ready products. However, due to delays in federal budget signings and agency fund transfers during the period, the Company has experienced two to four month delays in several program starts. While the overall

Letter from Chairman and from Chief Executive (Continued)

impact of these delayed program starts is relatively minor, it will cause a percentage of the Company's expected fiscal 2008 program revenues to shift into fiscal 2009.

Looking into fiscal 2009 and beyond, the Company expects its government funded development program revenues to remain similar to 2008 levels for two reasons. Firstly, many experts are projecting that the allocation of U.S. government development dollars could well become tighter given the upcoming change in the Administration. Secondly, Protonex is planning to become less reliant on government funded development programs and more focused on military, commercial and consumer product sales. To that end, the Company is selectively limiting its participation in future government-funded development programs to ensure that a significant amount of manpower and resources is concentrated on developing and launching commercial, non-military products.

Protonex has built a solid foundation with an excellent management team, dedicated employees, best-in-class technology, a strong balance sheet, industry-leading partners and first-class facilities. We are well positioned for both short and medium-term success, with the tools and expertise to address the challenges of commercialisation with multiple technologies and multiple, available fuelling options. On a global scale, the demand for environmentally friendly and energy efficient power sources has created a highly positive market opportunity for fuel cells, and Protonex is uniquely positioned to capitalize on this opportunity with industry-leading products that combine cutting-edge technical innovation and compelling commercial utility.

We will continue to make the required strategic decisions and investments to maintain our unique position at the forefront of our market sector. We are confident in Protonex' ability to gain sizeable market share as the industry scales towards widespread sale of commercial fuel cell products. Our capacity to deliver higher performance power at reasonable price points, and our demonstration of real products that provide tangible value to match substantial market opportunities, promise to give us a considerable competitive advantage.

We look forward to reporting on our progress and continued success against our goals once again in 2009.

Harry Fitzgibbons

Chairman
25 June 2008

Scott Pearson

Chief Executive Officer
25 June 2008

This document contains statements that are, or may be deemed to be, forward-looking statements, including, without limitation, statements containing the words "believes", "anticipates", "intends", "plans", "estimates", "aims," "expects", or, in each case, their negative or other variations or comparable terminology or by discussions of strategy plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's intentions, beliefs or current expectations concerning, amongst other things, results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Company operates. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, but are not limited to those discussed in Part II, Part III, Part IV and Part VI of the Company's AIM Admission Document dated 27 June 2006. A copy of this document is posted on the Company's website or may be obtained by contacting the Company at +1 508 490 9960. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. Subject to any legal and regulatory requirements, the Company disclaims any obligation to update any such forward-looking statements in this document to reflect future events or developments.

Current Public Information

Exact Name of issuer as specified in its charter:

Protonex Technology Corporation

State/country of incorporation:

State of Delaware,
United States of America

Address of principal executive offices:

153 Northboro Road, Southborough, MA, USA 01772

Title and class of securities:

Common Stock \$.005 per share par value

Number of shares outstanding as of 12 June 2008:

64,866,880

Transfer agent:

Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW, Channel Islands

Nature of business:

Protonex is a leading provider of advanced fuel cell power solutions for sub-kilowatt portable, remote and mobile applications. Based on patented proton exchange membrane (PEM) and solid oxide (SOFC) fuel cell design and manufacturing technology, these power systems are among the industry's smallest, lightest and highest performing fuel cell systems for portable power applications.

Protonex was incorporated and privately funded by four founders in 2000 to develop a proprietary PEM stack design and manufacturing process. From its inception until October 2003, Protonex was primarily funded by its founders and several key managers of the Company, in addition to commercial and government contracts. Protonex has funded its subsequent growth through two rounds of venture capital financings and two placings on the AIM market of the London Stock Exchange (July 2006 and April 2007). Since the first venture capital financing, the Company has expanded its business focus from providing just fuel cell stacks to complete fuel cell power systems.

In April 2007, Protonex acquired Mesoscopic Devices, a leading SOFC technology, fuel reforming and desulfurisation systems company. The Company is building on the technical and market synergies that exist between the two businesses to strengthen its position as a leading provider in the portable fuel cell industry. Headquartered near Boston, Massachusetts, with a development facility near Denver, Colorado, Protonex had approximately 88 employees as of 30 April 2008.

Protonex is well positioned to deliver high-performance, low-cost fuel cell products to military and commercial customers. With a wide range of technical expertise and an expanding intellectual property portfolio that covers PEM, SOFC and fuel reforming technology, the Company is also able to offer a variety of fuelling options, including hydrogen, chemical hydride, methanol, propane, gasoline, diesel and other higher hydrocarbons and renewable fuels.

Nature of products and services offered:

Protonex targets both military and commercial markets. The military opportunity includes high energy-density power sources which enable digitisation of the battlefield, providing potential power solutions to electronic devices such as radios, communication systems, night vision equipment, global positioning systems, laser range finders and target designators, digital communication systems, intelligence gathering sensors, and small unmanned vehicles. Non-military, commercial and consumer opportunities include: portable generators for off-grid and emergency power; power sources and battery chargers for portable electronic equipment; auxiliary power units for applications such as boats, RVs, and vehicles; backup systems for electronic equipment and communication networks; and propulsion power for wheelchairs and electric motorbikes.

Protonex is currently developing three product lines for end-user customers: Pulse™ products for military customers, Quantum™ products for commercial and consumer customers, and Xtend™ backup power products for telecommunications and network providers. These products offer customers the benefits of fuel cell technology, including reduced noise, lower emissions, and extended runtimes at reduced size and weight, without requiring access to hydrogen or other specialty fuel sources.

While any of Protonex' power solutions can run on direct hydrogen, Pulse™ and Quantum™ products contain

Current Public Information (Continued)

fuelling subsystems that allow the systems to run on common organic fuels, such as methanol, propane and diesel. Because fuel cells process fuels electrochemically rather than burning them, running fuel cell systems on carbon-based fuels still retains the environmental benefits associated with fuel cells and other alternative power sources.

Protonex is also developing a series of customisable ProCore™ fuel cell power products for OEM customers in industrial and commercial markets. These products include the core power generation system of Protonex' packaged end-user solutions, and may be integrated by OEMs with existing technologies and products.

Nature and extent of facilities:

Protonex currently has two facilities that house its operations. The first facility, which functions as its principal offices and headquarters, is in Southborough, Massachusetts. This 31,294 square foot facility is leased and houses all of the major functions of the company including general management, research and development, product engineering, manufacturing, sales, marketing and customer service. The majority of the footprint of this facility is dedicated to product engineering and manufacturing.

The second facility is located in Broomfield, Colorado, just outside of Denver. This 11,970 square foot facility is also leased and dedicated to the Company's SOFC technology development and the infrastructure components required to support these development efforts.

While Protonex plans to conduct pilot and low-volume manufacturing of its products at its Southborough facility, it intends to outsource any medium to high-volume manufacturing to qualified contract manufacturing firms. This will allow the Company to avoid the capital expense of building out complete factories and to take advantage of the expertise possessed by these world-class manufacturing partners.

Protonex Technology Corporation (A Development Stage Company)

Consolidated Balance Sheets

	(Unaudited)	
	31 March 2008	30 September 2007(1)
Assets		
Current assets:		
Cash and cash equivalents	\$28,218,868	\$33,874,522
Accounts receivable, net of allowance for doubtful accounts of \$81,698 and \$5,000 at 31 March 2008 and 30 September 2007, respectively	1,812,906	1,298,163
Inventory, net	530,809	262,815
Prepaid expenses and other current assets	308,434	440,809
Total current assets	30,871,017	35,876,309
Property and equipment, net of accumulated depreciation and amortization of \$622,352 and \$427,923 at 31 March 2008 and 30 September 2007, respectively	1,565,616	1,636,842
Goodwill	7,816,990	7,316,990
Intangible assets, net of accumulated amortization of \$112,667 and \$56,333 at 31 March 2008 and 30 September 2007, respectively	563,333	619,667
Other assets	82,376	553,754
Total assets	\$40,899,332	\$46,003,562
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable (includes related party payables of \$12,624 and \$45,063 at 31 March 2008 and 30 September 2007, respectively)	\$628,158	\$814,082
Accrued expenses	718,871	772,474
Deferred revenue	34,597	23,253
Total current liabilities	1,381,626	1,609,809
Deferred tax liability	193,613	96,809
Total liabilities	1,575,239	1,706,618
Commitments and contingencies (Notes 6 and 8)		
Stockholders' equity:		
Common stock, \$0.005 par value; 85,000,000 shares authorised; 63,786,248 shares issued and outstanding	318,932	318,932
Additional paid-in capital	64,374,516	63,766,945
Deficit accumulated during the development stage	(25,369,355)	(19,788,933)
Total stockholders' equity	39,324,093	44,296,944
Total liabilities and stockholders' equity	\$40,899,332	\$46,003,562

(1) Derived from audited financial statements.

See accompanying notes to the consolidated financial statements.

Protonex Technology Corporation (A Development Stage Company)
Consolidated Statements of Operations (unaudited)

	Six Months Ended 31 March		Period from 6 October 2000 (inception) to 31 March 2008
	2008	2007	
Revenues:			
Third-party revenues	\$3,158,388	\$2,133,228	\$14,241,610
Related-party revenues	—	—	307,000
Total revenues	3,158,388	2,133,228	14,548,610
Operating expenses:			
Research and development	6,445,748	4,252,170	26,584,979
In-process research and development	—	—	1,852,000
Sales and marketing	570,494	364,778	2,707,889
General and administrative	2,145,970	1,506,952	11,124,844
Total operating expenses	9,162,212	6,123,900	42,269,712
Loss from operations	(6,003,824)	(3,990,672)	(27,721,102)
Other income (expense):			
Interest income	566,229	427,848	2,554,236
Interest expense	—	—	(43,897)
Miscellaneous income (loss)	(46,023)	25,111	38,223
Total other income, net	520,206	452,959	2,548,562
Loss before provision for income taxes	(5,483,618)	(3,537,713)	(25,172,540)
Provision for income taxes	(96,804)	—	(196,815)
Net loss	\$(5,580,422)	\$(3,537,713)	\$(25,369,355)
Basic and diluted net loss per common share	\$(0.09)	\$(0.08)	
Weighted average common shares outstanding:			
Basic and diluted	63,413,128	42,390,767	

See accompanying notes to the consolidated financial statements.

Protonex Technology Corporation (A Development Stage Company)
Consolidated Statements of Changes in Stockholders' Equity (unaudited)

Period from 30 September 2007 to 31 March 2008

	Total Common Stock		Additional Paid-in Capital	Deficit	Total Equity
	Shares	Par Value		Accumulated During the Development Stage	
Balance, 30 September 2007	63,786,248	\$318,932	\$63,766,945	\$(19,788,933)	\$44,296,944
Share-based compensation	—	—	607,571	—	607,571
Net loss	—	—	—	(5,580,422)	(5,580,422)
Balance, 31 March 2008	63,786,248	\$318,932	\$64,374,516	\$(25,369,355)	\$39,324,093

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended 31 March		Period from
	2008	2007	6 October 2000 (inception) to 31 March 2008
Cash flows from operating activities:			
Net loss	\$(5,580,422)	\$(3,537,713)	\$(25,369,355)
Reconciliation of net loss to net cash used in operating activities:			
In-process research and development	—	—	1,852,000
Depreciation of property and equipment	228,868	100,533	689,286
Amortisation of intangible assets	56,333	—	112,666
Non-cash expense for services	—	—	4,080
(Gain)/loss on disposal of fixed assets	46,023	(25,111)	81,922
Non-cash interest expense	—	—	38,269
Deferred tax provision	96,804	—	193,613
Stock-based compensation	607,571	258,401	1,994,216
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable, net	(537,098)	(859,812)	(1,095,825)
Inventory, net	(267,995)	(165,459)	(518,589)
Prepaid expenses and other current assets	132,376	(123,201)	(270,673)
Other assets	874	(161,784)	(45,325)
Accounts payable	(193,064)	319,024	433,152
Accrued expenses	(53,603)	403,171	531,215
Deferred revenue	11,343	(110,990)	34,597
Net cash used in operating activities	(5,451,990)	(3,902,941)	(21,334,751)
Cash flows from investing activities:			
Cash paid for acquisition of Mesoscopic, net of cash acquired	(477,645)	—	(3,399,946)
Cash held in escrow	477,645	—	(22,355)
Additions to property and equipment	(203,664)	(795,871)	(2,258,981)
Net cash used in investing activities	(203,664)	(795,871)	(5,681,282)

Protonex Technology Corporation (A Development Stage Company)
Consolidated Statements of Cash Flows (unaudited) continued

	Six Months Ended 31 March		Period from 6 October 2000 (inception) to 31 March 2008
	2008	2007	
Cash flows from financing activities:			
Proceeds from notes	\$—	\$—	\$350,000
Proceeds from Series B Convertible Preferred Stock, net of issuance costs	—	—	3,437,341
Proceeds from Series C Convertible Preferred Stock, net of issuance costs	—	—	10,927,837
Proceeds from Series A Convertible Preferred Stock, net of issuance costs	—	—	169,200
Proceeds from sale of common stock and stock option exercises	—	5,597	186,935
Proceeds from Initial Public Offering on AIM, net of issuance costs	—	—	13,649,823
Proceeds from Secondary Public Offering on AIM, net of issuance costs	—	—	26,517,375
Common stock repurchased	—	—	(3,610)
Net cash provided by financing activities	—	5,597	55,234,901
Net increase/(decrease) in cash and cash equivalents	(5,655,654)	(4,693,215)	28,218,868
Cash and cash equivalents, beginning of period	33,874,522	18,707,206	—
Cash and cash equivalents, end of period	\$28,218,868	\$14,013,991	\$28,218,868
Supplemental cash flow information:			
Interest	\$—	\$—	\$5,628
Income taxes	\$456	\$—	\$3,658
Supplemental disclosure of non-cash financing transactions:			
Conversion of accrued expense into shares of common stock	\$—	\$—	\$3,072
Conversion of debt and interest into Series B Convertible Preferred Stock	\$—	\$—	\$388,269
Conversion of Convertible Preferred Stock upon reorganisation and admission to AIM	\$—	\$—	\$14,922,647
Supplemental disclosure of acquisition:			
On 1 April 2007, Protonex acquired Mesoscopic Devices LLC (Note 3)			
Accounts receivable	\$(22,355)	\$—	\$717,081
Inventories	—	—	12,221
Property, plant and equipment	—	—	77,844
Other assets	—	—	45,315
Intangible assets	—	—	2,528,000
Goodwill	500,000	—	7,816,990
Accounts payable and accrued expenses	—	—	(375,522)
Cash paid for Mesoscopic Devices LLC, including cash released from escrow and net of cash acquired	(477,645)	—	(3,399,946)
Fair value of common stock issued	\$—	\$—	\$7,421,983

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements (unaudited)

Note 1 – Organisation, Basis of Presentation and Summary of Significant Accounting Policies

Organisation

Protonex Technology Corporation (the "Company") was incorporated in October 2000, and performs engineering and development on fuel cell technology under cost sharing, cost-reimbursement (cost-type), fixed price and cost plus contracts. In addition, the Company assembles and sells prototype products on a limited basis. Since inception, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises", the Company has been considered to be in the development stage as it has devoted substantially all of its efforts to developing its products, raising capital and recruiting personnel. Although the Company is progressing toward the launching of its first consumer and military product offerings, as of 31 March 2008 the development of its product offerings had not reached this stage. The Company expects to incur losses as it continues to participate in government cost share programmes to further certain technology or product development initiatives with key customers or agencies and invests in cost reduction and commercialisation initiatives. The Company is headquartered in Southborough, Massachusetts.

Effective 1 April 2007, the Company acquired all of the shares of Mesoscopic Devices, LLC ("Mesoscopic") (See Note 3). Mesoscopic is a Colorado-based fuel cell technology company and provider of portable power fuel cell solutions. Mesoscopic's results of operations have been included in the Company's consolidated financial statements beginning 1 April 2007. Effective 4 April 2007, Mesoscopic's name was changed to Protonex Technology, LLC.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles as set forth by the United States of America Financial Accounting Standards Board ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included in the accompanying unaudited financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year. The Company suggests that these interim condensed financial statements be read in conjunction with the audited financial statements for the fiscal year ended 30 September 2007 which are contained in the Company's Annual Report covering the fiscal year ended 30 September 2007.

The Company is subject to a number of risks similar to those of other development stage companies, including risks related to: its dependence on key individuals and its ability to develop and market commercially usable products and its ability to obtain the substantial additional financing necessary to adequately fund the development, commercialisation and marketing of its products. The Company's primary market during the development stage has been government agencies of the United States of America.

These unaudited, Consolidated Financial Statements have also been prepared on a going concern basis. As such, they anticipate the realization of assets and the liquidation of liabilities in the normal course of business. The Company incurred net losses of \$5,580,422 and \$3,537,713 for the six months ended 31 March 2008 and 2007, respectively, and had an accumulated deficit of \$25,369,355 as of 31 March 2008. The Company has funded these losses principally through equity financings. In April 2007, the Company received \$26,517,375 in net proceeds from the sale of common stock. Management believes that these proceeds, along with existing resources, will be adequate to fund operations for the foreseeable future.

Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies are disclosed in its Annual Report for the year ended 30 September 2007 and have not changed materially as of 31 March 2008.

Research and Development Expense

Costs incurred in connection with research and development activities are expensed as incurred. These costs consist of direct and indirect costs associated with specific projects as well as fees paid to various third-party entities that perform certain research on behalf of the Company. Total research and development expenses for the six months ended 31 March 2008 and 2007 were \$6,445,748 and \$4,252,170, respectively.

Notes to the Consolidated Financial Statements (unaudited) continued

Stock-Based Compensation

The Company has one stock-based employee compensation plan. On 1 October 2005, the Company adopted the fair value recognition provisions of SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"), using the prospective transition method. Under this transition method, stock-based compensation cost was recognised in the financial statements for all share-based payments granted after 1 October 2005. Under the fair value recognition provisions of SFAS 123R, stock-based compensation cost is measured at the grant date based on the value of the award and is recognised as expense over the service period.

The following table presents share-based compensation expenses included in the Company's Consolidated Statements of Operations:

	Six Months Ended 31 March	
	2008	2007
Research and development	\$296,261	\$141,541
Sales and marketing	43,776	47,767
General and administrative	253,877	42,818
Total share-based compensation expense	\$593,914	\$232,126

At 31 March 2008, there is \$2,510,328 of future compensation cost to be recognised in future periods on outstanding options. That cost is expected to be recognised over a weighted-average period of 2.48 years.

SFAS 123R requires the benefits of tax deductions in excess of the compensation cost recognised for those options to be classified as financing cash inflows rather than operating cash inflows, on a prospective basis. The Company has fully reserved for any deferred tax benefits due to the uncertainty of future operating results and its ability to utilise the future tax benefit. As such, the classification as financing cash flows and the effect of adopting SFAS 123R had no effect on the Company's Consolidated Statements of Cash Flows.

The fair value of each stock option was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the six months ended 31 March 2008 and 2007:

	2008	2007
Expected volatility	73.0%	78.6%
Expected dividend yield	—	—
Expected risk-free interest rate	4.06%–4.14%	4.35% – 4.57%
Expected term of options	3.73–8 years	3.73 – 10 years
Maximum contractual term	10 years	10 years
Estimated forfeiture rate	12.8%	12.8%

Stock Price

All stock options issued from 1 October 2005 through 2 July 2006 were issued based on an independent valuation study of the Company performed for the Board.

All options issued subsequent to 2 July 2006 were issued based on the publicly traded market price of the stock.

Expected Volatility

Due to having minimal publicly traded experience of its stock, the Company utilised an expected volatility disclosed by comparable traded companies volatility in similar industries, development stage and size.

Expected Dividend Yield

The Company does not intend to pay dividends on its common stock for the foreseeable future and, accordingly, uses a dividend yield of zero in the Black-Scholes pricing model.

Expected Risk-Free Interest Rate

The risk-free interest rates for stock options are based on the U.S. Treasury yield curve in effect at the time of grant for maturities similar to the expected holding period of the stock options.

Expected Term

The expected term of stock options granted is generally based on historical data and represents the period of time that the stock options granted are expected to be outstanding. The Company has had very limited stock

Notes to the Consolidated Financial Statements (unaudited) continued

option exercise experience to date, making the Company's determination of the "expected term" judgmental. Accordingly, the Company has based the expected term on publicly available information for companies in similar industries, development stage and size.

Estimated Forfeitures

The Company has estimated employee stock option forfeitures as required under SFAS 123R for two groups of stock options (a) immediately vested options and (b) all others and is based on the Company's limited experience. Estimated forfeitures will be adjusted to actual forfeiture experience.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised), "Business Combinations" ("SFAS 141R"). The standard changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS 141R is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited.

In February 2007, the FASB issued SFAS No. 159, "Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 requires the fair value of the assets and liabilities that the Company has chosen to fair value be shown on the face of the balance sheet. SFAS 159 also requires companies to provide additional information to enable users of the financial statements to understand the Company's reasons for electing the fair value option and how changes in the fair values affect earnings for the period. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after 15 November 2007. The Company is currently evaluating the impact of SFAS 159 on the financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after 15 November 2007. The Company is currently evaluating the impact of SFAS 157 on the financial statements.

Note 2 – Net Loss Per Share

The components of basic and diluted loss per share for the six months ended 31 March 2008 and 2007 are as follows:

	2008	2007
Net loss, basic and diluted	\$(5,580,422)	\$(3,537,713)
Weighted average outstanding shares of common stock	63,413,128	42,390,767
Basic and diluted net loss per share	\$(0.09)	\$(0.08)

All common stock equivalents were anti-dilutive for the six months ended 31 March 2008 and 2007. Incremental common shares not included in the denominator of the diluted earnings per share calculation due to their anti-dilutive nature are as follows:

	2008	2007
Stock options	6,685,324	5,082,056
Warrants	—	517,500
Contingent shares	1,020,598	—
Unvested restricted stock	326,818	878,321
	8,032,740	6,477,877

Notes to the Consolidated Financial Statements (unaudited) continued

Note 3 – Business Acquisitions

Acquisition of Mesoscopic Devices, LLC

Effective 1 April 2007, the Company acquired all of the shares of Mesoscopic Devices, LLC (“Mesoscopic”). Mesoscopic is a Colorado-based fuel cell technology company and provider of portable power fuel cell solutions. The Company acquired Mesoscopic to expand its fuel diversity, market reach and technology portfolio. The acquisition has been accounted for under the purchase method of accounting and the results of operations of the acquired business have been included in the consolidated financial statements of the Company since 1 April 2007. The purchase price was \$10,824,201 which consisted of 4,082,385 shares of Common Stock of the Company with an aggregate fair value of \$7,421,983, cash of \$3,189,125 and \$213,093 in direct acquisition costs. The Common Stock is subject to various lock-up restrictions between six and thirty months in duration from 3 April 2007. As of 31 March 2008, 3,265,908 shares were subject to lock-up and 816,477 were released from restrictions.

In addition, pursuant to the acquisition agreement, the Company deposited \$500,000 into an escrow account which will be released to the sellers after 12 months subject to any indemnification claims of the Company. During the period, it became highly probable that, of this amount \$477,645, would be payable to the sellers. As a result, this payment represented additional purchase price and has been recorded as additional goodwill during the period ended 31 March 2008. In January 2008, the Company filed an escrow claim for \$29,496 of which it received \$22,355. In April and May 2008, the balance in the escrow account of \$477,645 was released to the sellers and the remaining \$22,355 was returned to the Company.

At the time of the acquisition the Company also issued contingent consideration consisting of 1,020,598 additional shares (the “Contingent Shares”) of Common Stock of the Company. The Contingent Shares are issued but held in escrow subject to the achievement of certain unit sale milestones. This additional contingent consideration will be accounted for as additional purchase price to the extent the milestones are met and the shares are released. As of 31 March 2008, no milestones have been met.

The aggregate purchase price for the Mesoscopic business was allocated to the assets acquired and liabilities assumed at the date of acquisition as follows:

Total purchase consideration:

Common stock issued	\$7,421,983
Cash	3,189,125
Transaction costs	213,093
	<hr/>
	\$10,824,201

Allocation of the purchase consideration:

Cash	\$2,272
Accounts receivable	717,081
Inventory	12,221
Prepaid and other current assets	37,760
Property and equipment, net	77,844
Goodwill	7,816,990
Core technology	555,000
In-process research and development	1,852,000
Other intangible assets	121,000
Other assets	7,555
	<hr/>
Total assets acquired	11,199,723
Accounts payable and accrued expenses	375,522
	<hr/>
Total liabilities assumed	375,522
	<hr/>
Net assets acquired	\$10,824,201

Notes to the Consolidated Financial Statements (unaudited) continued

For tax purposes, goodwill generated from this acquisition amounted to \$8,521,368 and is deductible over a 15-year period. The values allocated to the acquired trademarks, software, core technology and patents are being amortised on a straight-line basis over the estimated useful life of six years. The trademarks, software, and patents are included in other intangible assets, net in the accompanying consolidated balance sheets at 31 March 2008 and 30 September 2007. The Company has also evaluated certain in-process research and development projects and has expensed, as in-process research and development, those projects that had not at the date of the acquisition attained technical feasibility, meaning they had not reached the working model stage, did not contain all of the major functions planned for the products and were not ready for initial customer testing. The amount expensed during the year ended 30 September 2007 was \$1,852,000 and was included in our consolidated statement of operations. There was no in-process research and development expensed in the six months ended 31 March 2008 and 2007. The in-process research and development was valued based on discounting estimated cash flows from the related products. The in-process research and development did not have any alternative future use and did not otherwise qualify for capitalization. As a result, this amount was expensed upon acquisition.

Pro Forma Financial Information

The following table presents selected unaudited financial information of the Company, including Mesoscopic as if the acquisition of this entity had occurred on 1 October 2005. The pro forma results are derived from the historical financial results of the acquired business for all periods and are not necessarily indicative of the results that would have occurred had the acquisition been consummated on 1 October 2005. Mesoscopic's results of operations have been included in the Company's consolidated financial statements beginning 1 April 2007.

	Six Months Ended 31 March 2007 (unaudited)
Pro forma revenues	\$3,611,016
Pro forma net loss, basic and diluted	\$(3,898,253)
Pro forma basic and diluted net loss per common share (1)	\$(0.08)

(1) Net loss per share amounts are calculated as described in Note 2.

Note 4 – Intangible Assets

The following is a summary of intangible assets as of 31 March 2008:

	Gross		Net	
	Carrying Amount	Accumulated Amortisation	Carrying Value	Useful Life
Amortised intangible assets with finite lives:				
Core technology	\$555,000	\$92,500	\$462,500	6 years
Other intangible assets	121,000	20,167	100,833	6 years
Total intangible assets with finite lives	\$676,000	\$112,667	\$563,333	

The Company amortises intangible assets with finite lives using the straight-line method over the above estimated useful lives of the respective intangible asset. The Company considers the straight-line method to be appropriate, as it approximates the pattern in which economic benefits are consumed in circumstances where such patterns can be reliably determined. Amortisation expense of intangible assets, which in the aggregate, amounted to \$56,333 in the six months ended 31 March 2008 is included in research and development expenses in the accompanying consolidated statements of operations. No amortisation is included in the six month period ended 31 March 2007.

Note 5 – Common Stockholders' Equity

Restricted Stock

A summary of the Company's restricted stock activity for the six months ended 31 March 2008 is presented in the table below:

	2008
Outstanding 1 October	529,858
Converted to common	(203,040)
Outstanding 31 March	326,818

Notes to the Consolidated Financial Statements (unaudited) continued

During the six months ended 31 March 2008 a total of 203,040 restricted shares vested, respectively. As of 31 March 2008, there were 326,818 restricted shares unvested. The remaining unvested shares will vest in future years as follows:

Year	Number of Shares
2008	130,724
2009	196,094
	326,818

The Company calculated the aggregate difference between the deemed fair value of the restricted shares at the time of purchase and the purchase price. The Company recognises the compensation expense ratably during the vesting period of the underlying common stock. During the six months ended 31 March 2008 and 2007, the Company recognised \$13,657 and \$26,275 of compensation expense, respectively, which is included in operating expenses in the accompanying consolidated statements of operations. As of 31 March 2008 and 30 September 2007, the unamortised value of the restricted stock was \$22,958 and \$36,615, respectively. This value will be amortised over the remaining vesting period of the restricted shares of approximately one year.

Common Stock

In connection with the July 2006 AIM Admission, the Company granted Canaccord Adams Limited, its nominated advisor and broker in the Admission, a fully vested warrant to purchase 517,500 shares of the Company's common stock at an exercise price equal to the original AIM Admission price of UK 85 pence per share (the "Canaccord Warrant"). The warrant expired on 2 January 2008.

On 3 April 2007, the Company closed the acquisition of Mesoscopic effective as of 1 April 2007 (see Note 3). In connection with the Mesoscopic acquisition, 1,020,598 shares of common stock issued but held in escrow subject to meeting certain unit sale milestones are not considered outstanding for accounting purposes until the achievement of the unit sale milestones. As a result, these shares are not included in the issued and outstanding shares as of 31 March 2008 and 30 September 2007.

In addition, on 3 April 2007, the Company completed an equity financing and sold 16,000,000 new shares of common stock at a per share price of UK 88 pence and U.S. \$1.725. The Company raised a total of \$27,721,751 at the then effective exchange rate and before cash transaction costs of \$1,204,376.

As of 31 March 2008 and 30 September 2007, there were 63,786,248 common shares, issued and outstanding, of which 63,459,430 and 63,256,390, respectively, were unrestricted and 326,818 and 529,858, respectively, were restricted.

Stock Options

In October 2003, the Company's Board of Directors approved the 2003 Stock Incentive Plan, which provides for the granting of incentive stock options ("ISOs") and non-qualified stock options to employees, officers, Directors, advisors and consultants of the Company. As of 31 March 2008, the Company has an aggregate of 7,873,609 shares of common stock reserved pursuant to the plan and 1,188,285 shares remain available for future grant.

A summary of the status of all of the Company's stock options for the six months ended 31 March 2008 is presented below:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding – 1 October 2007	5,331,845	\$0.748		
Granted	1,394,871	1.767		
Exercised	—	—		
Forfeited	(36,017)	1.481		
Expired	(5,375)	1.793		
Outstanding - 31 March 2008	6,685,324	\$0.956	8.18	\$3,932,384
Exercisable - 31 March 2008	3,595,882	\$0.615	7.60	\$2,996,266

Notes to the Consolidated Financial Statements (unaudited) continued

	Six Months Ended 31 March	
	2008	2007
Weighted average grant date fair value per share of options granted	\$1.123	\$1.267
Total intrinsic value of options exercised	\$—	\$90,287

Note 6 – Commitments

Leases

The Company conducts its operations in leased facilities under operating lease agreements and has lease commitments for certain equipment. The rent and related expenses under these agreements totalled \$285,334 and \$136,488 for the six months ended 31 March 2008 and 2007, respectively.

In October 2006, the Company entered into an amendment to the operating lease agreement to expand its facility in Southborough, Massachusetts. The lease originally commenced on 1 February 2004, and requires a base rent plus tax and common area maintenance charges and has been re-written to expire in December 2011. The Company is also required to maintain a security deposit of \$45,324 related to this agreement.

As of 31 March 2008 and 30 September 2007, the Company maintained deposits totalling \$52,879 and \$53,754, respectively, as security deposits related to all operating lease agreements.

In connection with the acquisition of Mesoscopic, effective on 1 April 2007 (see Note 3), the Company assumed the operating lease agreement in Broomfield, Colorado. The lease originally commenced on 1 March 2003 and requires a base rent plus tax and common area maintenance charges and has been re-written to expire in August 2010. The Company is also required to maintain a security deposit of \$7,525 related to this agreement.

Minimum future payments required under operating leases are as follows:

For the Years Ended 30 September	
2008	\$280,022
2009	454,843
2010	403,615
2011	271,945
2012	45,324
Total	\$1,455,749

Note 7 – Taxes on Income

At 31 March, the provision for income taxes consists of the following:

	Six Months Ended 31 March	
	2008	2007
Current:		
Federal	\$—	\$—
State	—	—
	—	—
Deferred:		
Federal	82,911	—
State	13,893	—
	96,804	—
Total provision for income taxes	\$96,804	\$—

The Company's deferred tax liabilities are created by goodwill as a result of the acquisition of Mesoscopic. In accordance with SFAS 142, deferred tax liabilities resulting from the different treatment of goodwill for book and tax purposes cannot offset deferred tax assets in determining the valuation allowance. As a result, a deferred tax provision is required to increase the Company's valuation allowance. The deferred tax liability as a result of the goodwill associated with the Mesoscopic acquisition as of 31 March 2008 is \$193,613.

The Company recorded a valuation allowance equal to the gross deferred tax assets at 31 March 2008. Due to the uncertainty of future operating results, management believes it to be more likely than not that the gross deferred tax assets will not be realised; therefore, a full valuation allowance has been recorded.

Notes to the Consolidated Financial Statements (unaudited) continued

Effective 1 October 2007, we adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The Company's adoption of FIN 48 effective 1 October 2007 did not have a material effect on the Company's financial position or results of operations.

The Company did not recognize any accrued interest and penalties related to unrecognized tax benefits as no amounts would be due as a result of our net tax loss carryforward. Our policy is to record interest and penalties related to unrecognized tax benefits in income tax expense. The tax years 2000 to 2006 remain subject to examination for federal and state jurisdictions. The primary state jurisdiction is the Commonwealth of Massachusetts.

Note 8 – Litigation

From time to time, the Company is a party to various legal proceedings incidental to its business. The Company believes that none of the legal proceedings that are presently pending, if adversely decided against the Company, will have a material adverse effect upon its financial position, results of operations, or liquidity.

Note 9 – Related Parties

Parker-Hannifin Corporation ("Parker") is a significant shareholder in the Company. As of 31 March 2008, Parker held 12,731,500 common shares, 19.6 percent of the common shares issued and outstanding, including as outstanding the Contingent Shares issued in conjunction with the Mesoscopic acquisition. On 9 April 2008 Parker transferred 6,200,000 common shares to Parker-Hannifin Foundation. Since 1 April 2005 Akbar Naderi, a vice president of Parker has been a Non-Executive Director of the Company. In October 2004, the Company entered into an agreement with Parker jointly to develop certain products, establish a manufacturing relationship for various components or portions of fuel cell systems, and permit Parker to sell Protonex Fuel Cell Systems into certain commercial and consumer applications. The agreement was amended and restated in March 2006. The amended agreement has a term of five years, unless extended in writing by the mutual consent of both parties. Additionally in May 2007, the Company entered into an agreement with Parker to sublicense certain third-party intellectual property to Parker. During the six months ended 31 March 2008 and 2007, the Company had purchases from Parker of \$39,973 and \$96,518, respectively. As of 31 March 2008 and 30 September 2007, \$5,482 and \$45,063, respectively, due to Parker was included in accounts payable.

Through the acquisition of Mesoscopic, the Company began a relationship with CBC America Corporation ("CBC"). Prior to the acquisition of Mesoscopic, CBC was a shareholder in Mesoscopic and as a result of the acquisition of Mesoscopic by the Company, CBC became a shareholder in the Company. CBC is a wholly owned subsidiary of CBC Co. Ltd. of Tokyo, Japan. CBC markets certain components developed by the company in Asia. CBC also facilitates purchases by the Company of components for fuel cell development from international suppliers. During the six months ended 31 March 2008 the Company had purchases from CBC of \$30,579.

Prior to the acquisition of Mesoscopic, effective 1 April 2007 (see Note 3), the Company engaged in a joint development effort with Mesoscopic. The Company recognised \$48,786 in research and development expense under this agreement in the six months ended 31 March 2007.

Note 10 — Concentrations

For the six months ended 31 March 2008 and 2007, the Company had government sponsored contract revenue of \$3,158,388 and \$1,643,701 which represented approximately 100 percent and 77 percent, respectively, of total revenue. As of 31 March 2008 and 30 September 2007, accounts receivable from government agencies accounted for 76 percent, and 96 percent, respectively, of total accounts receivable.