

FOR IMMEDIATE RELEASE

July 18, 2006

**PROTONEX ANNOUNCES SECOND U.S. AIR FORCE CONTRACT AWARD FOR UNMANNED
AERIAL VEHICLE POWER
AND KEY ADDITIONS TO BOARD OF DIRECTORS**

DATELINE: SOUTHBOROUGH, MA; Protonex Technology Corporation, a leading provider of advanced fuel cell power systems for sub-kilowatt portable, remote and mobile applications, today announces that it has been awarded a second contract by the U.S. Air Force Research Laboratory (AFRL) to continue development of power systems for long-endurance unmanned aerial vehicles (UAVs). The contract has a total program value of \$749,247. The Company also announces that it has appointed Harry E. Fitzgibbons as a Director and Chairman of the Board and General (Retired) Charles R. Holland as a Director.

Under the terms of its latest AFRL contract, Protonex will further develop a UAV power system that will integrate an advanced chemical hydride fueling solution and a high power fuel cell system, which will be enabled by proprietary stack technology that can achieve 1,000 watts per kilogram. The high-performance fuel cell power system will address the rapidly growing segment of military UAVs designed for surveillance, search and rescue, chemical-biological monitoring and other missions requiring extended flight times. Protonex will work with major UAV manufacturers to integrate its power solution into UAV platforms designed to fly for significantly longer durations and carry greater payload than battery-powered systems.

“The high energy and power densities of fuel cell systems are uniquely suited to the demanding needs of long-endurance UAVs,” stated Don Erickson, Air Force Research Laboratory. “We expect that this technology will be a key component in the expanding portable UAV market, enabling a new class of extended-run UAVs previously unfeasible due to limitations of current battery technology.”

Harry Fitzgibbons was a director of Hambros Bank from 1972 to 1983 with responsibility for United States corporate finance and for Hambros’ portfolio of international unquoted investments. He was instrumental in establishing Boston Hambro Capital Company and Hambros International Venture Fund, both of which were venture investors in the US. In 1982 Mr. Fitzgibbons started Hambros Advanced Technology Trust, a venture capital fund in the UK which was a founding shareholder in Vodafone. He established Top Technology Ventures in 1986 as a venture fund manager and Top Technology Ventures is now investing its fourth fund in early stage technology. Mr. Fitzgibbons is currently a director of Ceres Power and Polyfuel, Inc.

General Charles Holland retired from the USAF on 1 November 2003. In his last assignment, he was the Commander of Headquarters U.S. Special Operations Command (USSOCOM). As the Commander, he was responsible for all special operations of the Army, Navy and Air Force. Prior to this assignment, General Holland commanded the Air Force Special Operations Command at Hurlburt Field, Florida, and was the Vice Commander of U.S. Air Forces in Europe at Ramstein Air Base, Germany. He previously commanded a squadron, two Air Force wings, served as Deputy Commanding General of the Joint Special Operations Command, and was Commander of the Special Operations Command Pacific. General Holland is currently a director of General Atomics and AeroVironment Inc. and an advisor to Aerospace Integration Corporation (AIC) and Camber Corporation.

Scott Pearson, CEO, Protonex, commented, “We have made two strong additions to our Board of Directors. Mr. Fitzgibbons combines clear understanding of the fuel cell industry with a deep level of

experience and expertise in finance and technology investment. General Holland's background and current positions bring the voice of our primary customer, the U.S. military, directly to Protonex. Both will provide important leadership to our team."

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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 500-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 customisable, stand-alone portable power solutions and systems that may be hybridized with existing power technologies. The Company is based in Southborough, Massachusetts.

This announcement includes statements which are, or may be deemed to be, "forward-looking statements". All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding Protonex' financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to Protonex' products and services) are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Protonex to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. These factors include but are not limited to those described in the Admission Document issued in connection with the Placing.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement speak only as at the date of this announcement and are subject to risks relating to future events and other risks, uncertainties and assumptions relation to Protonex' operations, results of operations, growth strategy and liquidity.