

11 June 2007

Protonex Technology Corporation

Year End	Revenue (\$m)	PBT* (\$m)	EPS* (¢)	DPS (¢)	PE (x)	Yield (%)
09/05	1.76	(2.22)	(57.9)	0.0	N/A	N/A
09/06	2.32	(5.18)	(36.7)	0.0	N/A	N/A
09/07e	5.80	(7.83)	(14.9)	0.0	N/A	N/A
09/08e	11.00	(8.70)	(13.8)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

Investment summary: Reliable & affordable

Protonex has demonstrated that it can manufacture reliable, high-performance fuel cells for the portable power market. Through its patented methods of design and manufacture, the company is able to significantly reduce manufacturing costs and potentially make them commercially affordable to the mass market. We believe the portable power market represents the first major market opportunity for fuel cells.

Military stepping stone to civilian market

In order to fund development and prime scale economies of production, the company has targeted the US military with portable systems, ahead of civilian applications. The military is hungry for portable power systems to meet the expanding demands of electronic warfare. It places a premium value on the operational features of fuel cells, in that they are quiet, cool and light.

Parker Hannifin, tactical partner and strategic investor

PTX has a joint development agreement with Parker Hannifin (PH), for the design and manufacture of the 'balance of plant' assembly; equally important in reducing fuel cell manufacturing costs. PH, the global leader in control devices, owns 20% of PTX.

Affordable if and when

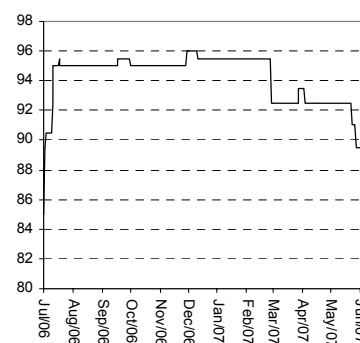
Protonex is still at the prototype stage of development, with various innovative products under evaluation. It is uncertain if or when they will be in a position to market products at a price point that makes them affordable. PTX operates in a competitive fuel cell market where commercial acceptance is unknown.

Valuation: Problematic, but good value on EV/Sales

In the absence of earnings or meaningful revenues, valuing fuel cell companies is problematic. We believe PTX represents good value on our enterprise to sales relative analysis. The company ranked third in our peer group of 12. We draw little comfort from intrinsic valuation models until we have an affordable product pitched to a defined market.

Price **91p**
Market Cap **£59m**

Share price graph



Share details

Code **PTX**
Listing **AIM**
Sector **Electronic & Electrical Equip.**
Shares in issue **64.45m**

Price

52 week High **96p** Low **87p**

Balance Sheet as at 30 Sept 2006

Debt/Equity (%) **N/A**
NAV per share (¢) **44.3**
Net cash (\$m) **18.7**

Business

PTX develops and manufactures compact, lightweight, high-performance fuel cell systems for portable power applications between 10W to 1,000W, using PEM and SOFC technologies

Valuation

	2006	2007e	2008e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	25.4	14.0	8.3
ROE	N/A	N/A	N/A

Geography based on revenues

UK	Europe	US	Other
0%	0%	100%	0%

Analyst

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Investment summary: Reliable & affordable

Company description: Commercialising fuel cells

Protonex seeks to commercialise portable fuel cells by delivering reliable, high-performance systems at affordable prices. PTX is well on the way to reducing production costs through its patented methods of design and manufacture for the 'stack' assembly, manufacture of the 'balance of plant' and 'reformer' fuelling systems. The company focuses on products with power outputs between 10 and 1,000 Watts, using Proton Exchange Membrane (PEM) and Solid Oxide Fuel Cell (SOFC) technologies; the latter through the acquisition of Mesoscopic Devices, last April. PEM systems, running on hydrogen, are beginning to enter the commercial market. SOFC is some way behind, but offers the opportunity to use commercially available fuels.

Valuation: Adopted EV/Sales approach

Valuing fuel cell companies is difficult, as development companies provide little in the way of operating financials. This makes both comparative and intrinsic models unreliable. The sector and the stocks are driven by sentiment. We believe enterprise value to sales (EV/S) offers the best form of peer group analysis. At 13.9x EV/S Protonex ranks well, by coming third cheapest in our peer group of 12. We are particularly in favour of companies that have demonstrated some ability to gather revenues from preproduction sales and development contracts. These revenues give some indication of how close a company is to marketing a finished product. They also indicate that the purchaser has some confidence in the company's product and market opportunity. PTX ranks well on this criteria and leads the AIM group on actual and forecasted revenues.

Sensitivities: All about timing

All our sensitivities concern the timing of events that lead to sales. We are uncertain if or when the company will be able to launch products at a price point that makes them commercially affordable. Further, PTX has several potential competitors in both the military and civilian markets. The company has received a high level of development funding from the US military and it is hoped that procurement will follow. Due to the confidentiality that surrounds the military, the timing of both of these types of announcements will appear spontaneous. We cannot predict the speed of fuel cell adoption by the civilian market. As substitutes, they will have to be price competitive, though we expect the market to accept a price premium for increased utility. It would appear that the company has adequate funds, at the current rate of spending, to take its prototypes into commercial production. Changes in spending and the timing of revenues will affect the company's fiscal endurance.

Financials: Cash burn of around \$10m p.a.

Protonex' losses are expected to expand in the near future, peaking in 2008. During this time, operating expenses should increase materially as PTX spends heavily on developing and marketing its products and filing patents. In 2009, we expect losses to decline as commercial sales have a growing influence on the income statement. We look to see profitability in 2010.

Cash flow burn will be around \$10m per year for the next couple of years. We estimate that the company will have \$34m of cash on the balance sheet by the close of the September fiscal year. At our anticipated level of spending, PTX should have adequate funds until 2011.

Company description: Commercialising fuel cells

Protonex is a US company that was founded in 2000 and listed on AIM in June 2006. Protonex is a developer of 10–1000W fuel cells for portable, remote and mobile applications targeting both military and commercial applications. PTX is the only company in the sub kW area that is developing products using PEM and SOFC technologies. Through these technologies, they are able to offer customers a variety of fuelling options and so differentiate themselves from the competition. Aside from its market orientation, Protonex differentiates itself from other fuel cell developers by its patented stack assembly processes. These processes significantly lower manufacturing costs and increase power densities.

Why fuel cells?

Fuel cells have the potential to substitute many applications of conventional power and expand uses in existing markets. In the portable power market, these devices could partially displace batteries and small internal combustion generators, yielding a market worth hundreds of millions of dollars in the next several years. The most immediate advantage of fuel cells over conventional power systems is their energy density, or power-to-weight ratio. Within the 10W to 1,000W power range, batteries and internal combustion engines carry significant power to weight ratio (Watt hours/kilogram) penalties; batteries cannot scale up, generators cannot scale down. Batteries, depending on the type, have energy densities between 25 and 150Wh/kg. Few conventional generators are manufactured below 1kW; at this level and below the energy density falls sharply. We found that the energy density of a modern 720W petrol generator was 32Wh/kg. By comparison, Protonex fuel cells have achieved energy densities of 400Wh/kg. A good example of this competitive strength is PTX's development of fuel cells in unmanned aerial vehicles for the US military. Protonex has demonstrated a three-fold increase of flying time using their fuel cells and potentially increased payloads. Other important features of fuel cells are that they are efficient, quiet, vibration-free, and can be run indoors because they only release water vapour.

Protonex manufactures fuel cells using PEM and SOFC technologies. PEM systems are available now; in addition to the above features, they run at low temperatures (30° to 90° C) emitting low heat signatures, which is an additional attraction to the US military. They also have short start up times. Their principle drawback is that they only run on hydrogen. Hydrogen is an awkward gas to collect and contain, therefore PEM fuel cells must be accompanied with specialist hydrogen canisters or reformer systems that extract hydrogen from commonly available hydrocarbons. SOFC systems overcome PEM's fuelling issues by running off a variety of commercially available fuels such as propane, petrol and diesel. In commercial terms SOFC systems are some years behind PEM systems. They run at very high temperatures, between 800° and 1,000° C. As a consequence, they have longer start up times than PEM systems.

Reliable portable power for the military first, civilian market second

Fuel cells have found it difficult to gain market acceptance because they are frequently unreliable and appear expensive versus conventional technology. Protonex has demonstrated that its fuel cells work and is taking many steps to bring its costs down to a commercially competitive level. The company's strategy is to initially target the military market, as the military's overriding concern is superior performance and reliability; they are less sensitive to cost. None of the other UK-quoted

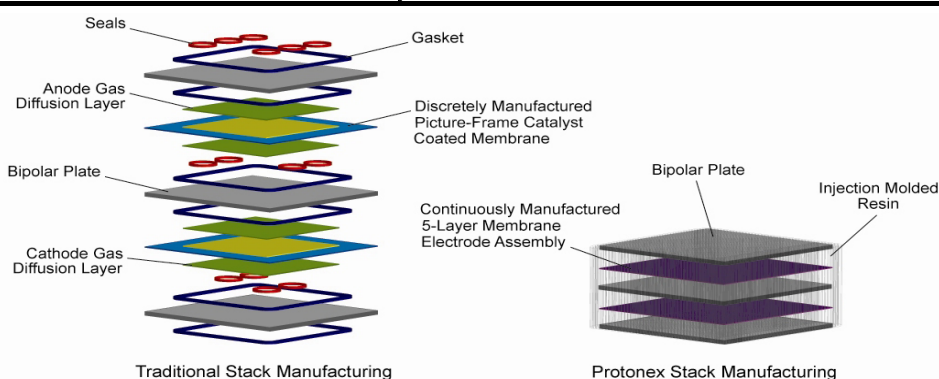
AIM fuel cell businesses address the US military market and it has few competitors in its chosen segments.

The company is initially focusing on power systems between 10 and 500W, where it has several products, including ultra-light systems for UAVs. In the man-portable area, the company has successfully demonstrated the Propack C50, 50W system. The system, with three days of fuel, offers considerable power to weight ratio savings over advanced batteries, 11lbs versus 29lbs. The Valta M250, 250W system is designed for the commercial market as an auxiliary power unit. It was demonstrated at the Hanover technology fair last April, where it ran continuously. The M250 is the first of a new line of reformer-based fuel cells. The recently won \$3.5m contract from the US army is for the military version of the Valta. As a reformer-based system, it is able to process liquid methanol into hydrogen gas. The company also demonstrated a 75W SOFC system developed by Mesoscopic Devices that runs on propane. It is also developing a 250W SOFC system for the military.

PEM injection moulded stack

Protonex' expertise is in the design and manufacture of fuel cell systems. It has valuable intellectual property in PEM stacks, the electricity producing core of a fuel cell. Its patented process has a single step approach to manufacturing these fuel cell stacks via injection moulded resin. This saves considerable time and permits continuous production. Conventional methods of construction are very time consuming because they require multiple precise manufacturing stages, including complex sealing and accurate spacing. Exhibit 2 below illustrates that Protonex's processes are a quantum advance on the conventional approach to fuel cell manufacture. The company's achievement is in patenting the sealing of the components using resin to allow construction using injection moulding. Furthermore, these techniques permit the commercial use of external manifolds which are more efficient. Together, these achievements significantly reduce the time and labour required to build a fuel cell stack. An independent technical evaluation conducted by E4tech Ltd (see IPO prospectus) confirmed that PTX' injection moulding process departed from the conventional planar method. The evaluation confirmed that it "considerably" simplified stack assembly, produced more robust cells, and allowed for comparatively low-cost production with "considerable potential to reduce costs still further".

Exhibit 2: Protonex fuel cell stack assembly



Source: Protonex

The stack represents only part of the integrated assembly; the 'balance of plant' can add between one-half to two-thirds by weight and accounts for 50% of the total cost. A key part of the PTX

business plan is to acquire 'off-the-shelf' balance of plant components. Parker Hannifin, PTX's partner, is a world leader in this area. By carefully selecting components and designing others, the company aims to reduce the manufacturing costs, size and weight of the finished product.

A broad technology base with a proven track record

To date, Protonex has won \$12m in development contracts from the US military. The recently acquired Mesoscopic Devices adds another \$13m, giving a cumulative total of \$25m.

Mesoscopic Devices is a leader in SOFC technology. SOFC technology is further behind PEM in commercialisation, but offers Protonex a complementary platform to develop a suite of portable fuel cell products. SOFC designs share a high degree of commonality in balance of plant components, control systems and associated devices. Protonex hopes that through this acquisition it will be able to accelerate commercialisation of both PEM and SOFC technologies and address broader markets.

Exhibit 3: Protonex timeline

Timeline	
Apr-04	Development contract – US Air Force Research Laboratory (AFRL) – soldier power system
Jun-04	Development contract – US Army Research Office (ARO) – portable power system.
Oct-04	Strategic partnership with Parker Hannifin.
Jan-05	Demonstration of 30W portable power system (P1) at military conference, Virginia.
Mar-05	Delivery of AFRL's first 30W portable power system.
Jun-05	\$11m second round venture funding, originally \$9m increased to \$11m on demand, Parker Hannifin invests.
Sep-05	Teaming agreement with Northrop Grumman to develop portable 30W system for AFRL.
Oct-05	Development contract from ARO to develop 30W portable system.
Nov-05	Demonstrates second generation portable power system (P2) at fuel cell seminar, California.
Jan-06	Development contract with US Air Force for application of P2 system in targeting and communications.
Jan-06	Development contract with AFRL for unmanned aerial vehicle (UAV) power systems.
Feb-06	Develops quiet auxiliary power unit (APU) 150 to 250W range for military applications.
Apr-06	Demonstrates P2 system and introduces 200W APU and 20W wearable power supply for civilian use at Hanover Fair.
May-06	Delivers upgraded P2 system of 50W to US Air Force, secures additional funding.
Jul-06	Second contract of \$3/4m from AFRL for UAV power system.
Feb-07	Development contract from ARO \$3.5m for 250W portable power system, PTX' largest contract to date.
Mar-07	Acquires Mesoscopic Devices, company has received \$13m of development contracts from the military to date.
Apr-07	Demonstrates first reformer-based product 250W APU, plus 50 and 75W devices at Hanover Fair.

Source: Protonex

The company has manufactured more than 700 fuel cell stacks and filed 43 patents, three of which have been granted. Its fuel cells have demonstrated over 4,000 hours of continuous runtime; a runtime that equals or exceeds the requirements of conventional portable power systems.

Mesoscopic Devices, due to previous lack of funds, has only made three patent applications.

However, Mesoscopic has filed 40 invention disclosures (audit documents confirming research and

timing of discovery). Going forward, the enlarged Protonex intends to file many more patents as and when it is able to complete the necessary documentation.

The market opportunity

The market for fuel cells in the 10 to 500 Watt range is being driven by the expanding use of portable and increasingly more powerful electrical devices, such as laptops and communications equipment. Users require reliable lightweight power with long run times and low maintenance.

Portable fuel cells (sub 1kW) represent a major first-to-market opportunity for fuel cells. They demonstrate a significant competitive advantage over conventional batteries with superior energy densities and steady output. The table below illustrates selective markets both military and civilian, where we believe portable fuel cells provide a competitive solution for at least part of each sub-market. We estimated that the value of this portable power market is nearly \$25bn. We believe it is possible that portable fuel cells could gain between 5% and 10% of these markets, yielding annual sales in the region of \$1.25bn to \$2.5bn. The timing of this level of market penetration is uncertain, however, the market research firm Business Communications has projected that portable fuel cell sales could reach \$385m in 2009.

Exhibit 4: Value of the portable power market – selected sub-markets

Description	Watts @	Unit Cost	Annual Demand Units 000s	Value 000s
BA5590 communications battery	50	\$110	1,200	\$132,000
UAV/UGV power systems	100-500	\$1,500	1	\$1,950
Auxiliary Power Units for military vehicles	100-1,000	\$3,000	50	\$150,000
Squad charger/Field Power	100-1,000	\$3,000	45	\$135,000
Military market value				\$418,950
Power tools	10	\$60	51,000	\$3,060,000
Laptops	8-25	\$130	50,000	\$6,500,000
Auxiliary Power backup battery	600	\$335	42,000	\$14,070,000
Auxiliary Power backup generator	500-5,000	\$1,200	458	\$549,538
Civilian market value				\$24,179,538
Total Market Value				\$24,598,488

Source: Edison Investment Research & Protonex

Strategy – making reliable and affordable fuel cells

The primary disadvantage of fuel cells in comparison to conventional power systems is that they have been unreliable and expensive to manufacture. Protonex has demonstrated highly reliable systems and now seeks to commercialise at affordable prices. It has a two-staged strategy for achieving commercialisation of its fuel cell technology. Firstly, PTX intends to address the needs of the military market, and then leverage the development experience and production scale economies gained into the civilian market.

Path to commercialisation – military first, civilian market second

We expect the US military to be the leading adopter of fuel cell technology. The military will accept a much higher price point than the civilian market because of the higher value it attaches to the unique operational features of fuel cells. These include a high power-to-weight ratio, low heat signature and silent running. All these characteristics make fuel cells attractive to forward and covert military operations. In addressing the needs of the military first PTX is able to secure

immediate revenues, which help fund development and production scale economies. Therefore the military market provides a cost effective route to civilian affordability.

Though the civilian market is much larger than the military market, the US military represents a significant market opportunity. This element of the strategy appears to be working well; the combined PTX/Mesoscopic entity has amassed over \$25m in contracts from the US military since inception. The nature of the contracts has changed from technology development to product development, with the military testing products under operational conditions. Contract awards continue to exceed sales. This expanding book to bill ratio illustrates that the US military has growing confidence in Protonex's engineering capabilities across a wide variety of applications.

Successful evaluation of development contracts will lead to the placement of regular procurement orders. These in turn will enable PTX to gain scale production economies and position its products at price points acceptable to the civilian market.

Partnerships — an outsourcing programme

A second element of the strategy is to enter partnerships with companies who can offer complementary skills in the manufacture and marketing of Protonex products. This allows the company to focus its core expertise on the design, fabrication and manufacture of fuel cells and fuel cell fuelling systems.

Again, the company has demonstrated success in this limb of the strategy. PTX has a joint strategic partnership with Parker Hannifin (PH) to develop, manufacture and market its fuel cell products. Parker Hannifin, a global leader in manufacturing pumps and valves, is a natural first choice partner for 'balance of plant' components for fuel cell assembly. Other strong name partners include Millennium Cell and Northrop Grumman Laser Systems; the former for the development of chemical hydride fuel cartridges and the latter for use in military systems. The successful award of several development contracts from various branches of the US military illustrates another set of significant relationships.

Protonex's partnership with Parker Hannifin (PH) is a critical and integral part of fuel cell production. PH, with over \$9bn in sales, is the world leader in industrial components. Outside the stack is the balance of plant assembly which is concerned with the supply of hydrogen and oxygen and the removal of heat and water. Balance of plant assembly can equate to 50% of the cost of fuel cell manufacture. Therefore, savings in stack manufacture need to be mirrored by those in the balance of plant assembly to insure the commercialisation of fuel cells into the wider civilian market. PH, with its substantial global manufacturing capability, has the resources to design new parts and integrate existing subsystems to make this task feasible. PH's commitment is underscored by their 20% investment in PTX and board representation.

Breadth of management

The composition of the board of directors shows care and method. Each member brings sets of skills and experience that meet the company's current needs, with the ability to scale up to a considerably larger organisation. The board of seven is led by **Harry Fitzgibbons** (Chairman) who, as a former investment banker, has broad top down experience of the fuel cell business. Currently he is also a non-executive director of Polyfuel Inc and a former NED of Ceres Power. **Scott Pearson** (President and CEO), has an extensive engineer background in both large and small

companies. He has knowledge of risk management systems and procedures often missing in start-up businesses. Furthermore, as his third start-up company, he has the soft skills necessary to manage a team of entrepreneurs and to keep that team focused on delivering the necessary financial outcome. **Dr Paul Osenar**, Chief Technology Officer and co-founder of Protonex, is responsible for developing the company's technology and intellectual property. To date he is accredited as co-inventor of eight issued patents. Prior to Protonex, Paul worked for Foster Miller, the engineering and technology development company now owned by QineitiQ. **John Connolly**, (Chief Financial Officer) as the former CFO of two NASDAQ listed companies (Robotic Vision Systems and Davox Corporation), brings additional public company reporting experience. **General (Ret.) Charles Holland** (Non-Executive Director) is a retired four star General whose last assignment was running special forces globally for the US military through 2004. He provides the company with exceptional knowledge of the military and its requirements.

Sensitivities

This is a development stage company whose financial value will be highly volatile until it has demonstrated that it is commercially viable. Between now and then there are several variables that will govern the timing of that event.

Will they deliver the goods at the right price and when?

The whole thrust of PTX's strategy is to build high performance fuel cells that add value at commercially affordable prices. The route to mass production is to fund development by the military and then to commercialise in both military and civilian markets. It is still uncertain when or if it will achieve these goals. However, the military is certainly showing increasing interest in the company's technology. Further, the company, which has constructed over 700 fuel cells, is one of the most prolific manufacturers. Therefore, we believe that PTX has demonstrated significant progress in making reliable products; the timing on the introduction of affordable civilian products remains the most outstanding issue.

Delays and false starts at the military

The first leg of Protonex's strategy is to become part of the US military's regular procurement programme. Currently the company, through development projects, is able to demonstrate the operating performance of its products. These may exceed the required specification. However, the leap from successful development contracts to regular procurement is subject to a host of other factors beyond PTX's control and may result in prolonged delays. However, successful adoption brings a stream of predictable revenues as deployment has an agreed schedule.

The company's development contracts represent a key performance indicator on the path to commercialisation. Investors should be aware that these contracts, in the face of budgeting issues, could become frozen, or scaled down.

Civilian market speed of acceptance unknown

The roll out into the civilian market is more unpredictable than the military market, as orders largely reflect collective individual choice over institutional procurement. The company also faces potential competition from single fuel companies such as IdaTech, Jadoo, Smart Fuel Cell, UltraCell and Voller. To gain acceptance fuel cells will have to be reliable and price competitive. However, we

would expect that consumers will accept some price premium reflecting the additional utility that fuel cells can offer over conventional power systems.

Fiscal endurance

Passing the necessary manufacturing milestones to make portable fuel cells commercially affordable will take time and inevitably be subject to delays. With approximately \$34m in cash by the September year-end we believe that the company has considerable cash resources to sustain it into the mid-term and possibly until it is cash flow positive. However, we caveat this comment by stressing the highly uncertain range of outcomes that the company faces over the next several years. Changes in the company's spending plans and the timing of revenues will affect this outcome.

Valuation: EV/Sales approach

Relative comparison

Relative comparison techniques are not useful when evaluating fuel cell companies. Please refer to our report on Acta of 21 March 2007, written by Mark Dichlian. All fuel cell stocks are expected to yield losses for the next few years.

The table below compares enterprise value to sales. We are particularly in favour of companies that have demonstrated some ability to gather revenues from preproduction sales and development contracts. These revenues give some indication of how close a company is to marketing a finished product. They also indicate that the purchaser has some confidence in the company's product and market opportunity. Of the companies listed in our table, PTX has one of the highest levels of actual and predicted revenues and indeed the highest in our selection of AIM listed stocks. At 13.9x EV/S Protonex ranks well, at third cheapest in our peer group of 12. Our EV/S analysis of 12 companies produced a range between 255.1x and 0.9x, the medium was 50.9x.

Exhibit 5: Enterprise value/sales analysis of selected fuel cell stocks

Note: Acta, Polyfuel & Ceramic report in Euros, US Dollars and Australian Dollars respectively, we have converted these values into Sterling at the rates below. Priced at 8 June 2007.

Name	Tick	FY	LS 8/6	Shares O/S	Mkt Cap	Debt + Min 06	Adj Cash 07	Est Ent Val 07	Est Sales 07	EV/S
London			p	£m	£000s					x
Acta	ACTA	Dec	110.0	36.0	39,595	522	2,007	38,110	440	86.6
Polyfuel	PYF	Dec	43.0	57.3	24,631	0	358	24,273	1,000	24.3
ITM Power	ITM	Apr	117.3	101.3	118,725	0	32,399	86,326	2,000	43.2
Protonex Tech	PTX	Sep	91.0	64.5	58,650	0	17,535	41,115	2,948	13.9
Voller	VLR	Jun	23.7	23.0	5,451	0	5,309	142	167	0.9
CMR	CMF	Dec	122.0	20.3	24,766	0	8,534	16,232	320	50.7
Oxford Catalysts	OCG	Dec	121.5	37.3	45,369	101	12,814	32,656	128	255.1
Ceres Power	CWR	Jun	210.8	59.5	125,396	0	9,939	115,457	1,800	64.1
Ceramic	CFU	Jun	38.5	309.5	119,158	86	9,800	109,444	2,144	51.1
NASDAQ			\$	\$m	\$000s					
Medis Tech.	MDTL	Dec	15.2	34.9	530,799	2,569	69,580	463,788	7,070	65.6
Ballard Power	BLDP	Dec	4.5	114.2	510,474	44,945	93,609	461,810	57,540	8.0
Millennium Cell	MCEL	Dec	0.7	53.8	35,508	2,499	362	37,645	480	78.4

Source: Edison Investment Research & Bloomberg consensus

Intrinsic approach

Fuel cell companies are commonly valued on discounted present value, because earnings and positive cash flows are not anticipated for several years. It would be very difficult to construct a

useful model without having confidence in the future path of revenue and earnings. Until PTX has demonstrated that it has products at an appropriate price level to address defined markets, we see little value in creating an intrinsic model.

Financials

Earnings

Over the next couple of years Protonex' losses will expand, reflecting increases in operating costs as the company spends on developing and marketing its products and filing patents. Material revenues from commercial product sales are not anticipated until 2008 onwards. We are guided by management to expect 2008 to be the year of trough earnings. In the interim, revenues from military development contracts will accelerate, reflecting existing orders and the expectation of new contracts.

Cash flow

Over the next few years, the cash burn will increase as a function of substantial increases in operating expenses (particularly in research and development) and capital investment. We estimate the cash burn will approach \$10m a year for the next couple of years.

Balance sheet

We estimate that the company will have \$34m in cash and equivalents on the balance sheet by the end of the September fiscal year. At our anticipated rate of cash burn the company should have adequate funding until 2011. The acquisition of Mesoscopic Devices adds between \$10m to \$12m in intangible assets. Tangible assets and working capital requirements will expand as the company tools up and begins commercial sales.

Exhibit 6: Financials

	\$'000s	2005	2006	2007e	2008e
Year-ending September					
PROFIT & LOSS					
Revenue		1,757	2,316	5,800	11,000
Cost of Sales		0	0	(1,420)	(3,630)
Gross Profit		1,757	2,316	4,380	7,370
EBITDA		(2,331)	(5,569)	(8,710)	(9,303)
Operating Profit (before GW and except.)		(2,374)	(5,674)	(9,000)	(10,000)
Goodwill Amortisation		0	0	0	0
Exceptionals		1	0	(500)	(500)
Other		0	0	0	0
Operating Profit		(2,373)	(5,674)	(9,500)	(10,500)
Net Interest		150	490	1,170	1,300
Profit Before Tax (norm)		(2,224)	(5,184)	(7,830)	(8,700)
Profit Before Tax (FRS 3)		(2,223)	(5,184)	(8,330)	(9,200)
Tax		(0)	(0)	0	0
Profit After Tax (norm)		(2,225)	(5,185)	(7,830)	(8,700)
Profit After Tax (FRS3)		(2,223)	(5,185)	(8,330)	(9,200)
Average Number of Shares Outstanding (m)					
		3.8	14.1	52.6	63.0
EPS - normalised (¢)		(57.9)	(36.7)	(14.9)	(13.8)
EPS - FRS 3 (¢)		(57.9)	(36.7)	(15.8)	(14.6)
Gross Margin (%)					
		100.0%	100.0%	75.5%	67.0%
EBITDA Margin (%)					
		(132.6%)	(240.4%)	(150.2%)	(84.6%)
Operating Margin (before GW and except.) (%)					
		(135.1%)	(245.0%)	(155.2%)	(90.9%)
BALANCE SHEET					
Fixed Assets		275	430	13,600	14,300
Intangible Assets		0	0	11,500	11,000
Tangible Assets		275	430	2,100	3,300
Investment in associates		0	0	0	0
Unquoted investments		0	0	0	0
Current Assets		9,833	19,450	35,785	26,378
Stocks		0	105	272	696
Debtors		293	362	1,050	1,959
Cash		9,507	18,707	34,463	23,723
Other		32	276	0	0
Current Liabilities		(171)	(699)	(1,471)	(2,387)
Creditors		(93)	(340)	(1,111)	(2,027)
Other creditors		(78)	(360)	(360)	(360)
Short term borrowings		0	0	0	0
Minority interests		0	0	0	0
Long Term Liabilities		0	0	0	0
Long term borrowings		0	0	0	0
Other long term liabilities		0	0	0	0
Net Assets		9,938	19,181	47,914	38,291
CASH FLOW					
Operating Cash Flow		(2,542)	(4,704)	(9,114)	(10,040)
Net Interest		150	490	1,170	1,300
Tax		0	0	0	0
Capex		(126)	(256)	(1,800)	(2,000)
Acquisitions/disposals		0	0	0	0
Financing		10,967	13,670	25,500	0
Dividends		0	0	0	0
Other		0	0	0	0
Net Cash Flow		8,449	9,200	15,756	(10,740)
Opening net debt/(cash)		(1,058)	(9,507)	(18,707)	(34,463)
HP finance leases initiated		0	0	0	0
Other		0	0	(0)	0
Closing net debt/(cash)		(9,507)	(18,707)	(34,463)	(23,723)

Source: Company/Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
	N/A	N/A	Litigation/regulatory	<input type="radio"/>
			Pensions	<input type="radio"/>
			Currency	<input checked="" type="radio"/>
			Stock overhang	<input type="radio"/>
			Interest rates	<input type="radio"/>
			Oil/commodity prices	<input type="radio"/>

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	Company details	
EPS CAGR 02-06e	N/A	ROCE 07e	N/A	Gearing 07e	N/A	Address:
EPS CAGR 04-06e	N/A	Avg ROCE 04-08e	N/A	Interest cover 07e	7.7	153 Northboro Road, Southborough, MA 01772-1034, USA
EBITDA CAGR 02-06e	N/A	ROE 07e	N/A	CA/CL 07e	24.3	Phone (508) 490 9960
EBITDA CAGR 04-06e	N/A	Gross margin 07e	N/A	Stock turn 07e	17.1	Fax (508) 490 9907
Sales CAGR 02-06e	N/A	Operating margin 07e	N/A	Debtor days 07e	66.1	www.protonex.com
Sales CAGR 04-06e	118	Gr mgn / Op mgn 07e	N/A	Creditor days 07e	69.9	

Principal shareholders	%	Management team
Parker Hannifin	19.7	Chairman: Harry Fitzgibbons
Goldman Sachs	9.0	Over 30 years of experience in banking and investments. Instrumental in establishing the Boston Hambro Capital Company and Hambros International Venture Fund. Started the Advance Technology Trust in 1982. Established the Top Technology Venture Fund in 1986. Current NED for Polyfuel.
Conduit Ventures	8.6	
SAS Investors LP	5.6	
Solstice Capital 2 Ltd	4.3	
		CEO: Scott Pearson
		Over 15 years of experience in a wide range of technology companies. Management experience includes start-ups, turnarounds and acquisitions across small and large businesses. Previously President of Americas of Power Corporation, a leading uninterrupted power systems provider.
Forthcoming announcements/catalysts	Date	CFO: John Connolly
Interim results	25 June 2007	Over 25 years of financial and operations experience in both public and private technology companies. Previous positions included CFO roles at goeVue, Robotic Vision Systems and Davox Corporation. Other previous key financial and operational management positions at IRIS Graphics and Instrumentation Laboratory.

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