

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to seek advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are taking advice in the United Kingdom or, if you are taking advice in another jurisdiction, from an appropriately authorised independent professional adviser.

If you have sold or otherwise transferred all your Common Shares please forward this document together with the accompanying Form of Proxy (or a Form of Instruction if you are a holder of Depositary Interests) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold only part of your holding of Common Shares, you should retain this document and consult your stockbroker, bank or other agent through whom the sale or transfer was effected.

The London Stock Exchange has not itself examined or approved the contents of this document. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

PROTONEX TECHNOLOGY CORPORATION

(Incorporated under the laws of the State of Delaware, United States of America, with registered no.3300039)

Proposed cancellation of admission to trading on AIM of the Common Shares, proposed authorization of the Preferred Shares and Notice of Special Meeting

The Directors of the Company, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole text of this document should be read. Your attention is drawn to the letter from the Chairman of the Company set out on pages 7 to 12 of this document which explains the background to and reasons for the cancellation of the admission to trading on AIM of the Common Shares and the authorization of the Preferred Shares and contains the Board's recommendation to vote in favour of the Resolutions to be proposed at the Special Meeting referred to below.

An application has been made to the London Stock Exchange for the cancellation of the admission to trading on AIM of the Common Shares. Subject to the relevant Resolution being passed at the Special Meeting, it is expected that cancellation of the admission of the Common Shares to trading on AIM will occur at 7:00 a.m. (London Time) on 21 June 2010.

Notice of the Special Meeting, to be held at 10 a.m. on 11 June 2010 at 153 Northboro Road, Southborough, Massachusetts, 01772-1034, United States, is set out at the end of this document. You will find enclosed a Form of Proxy (or a Form of Instruction if you are a holder of Depositary Interests) for use at the Special Meeting. To be valid, (i) the Form of Proxy should be completed and returned as soon as possible, by hand or by post, to the offices of the Company's registrars, Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES and (ii) the Form of Instruction should be completed and returned as soon as possible, by hand or by post, to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom. Those Shareholders located in the United States can post the Form of Proxy or deliver it by hand to Protonex Technology Corporation, 153 Northboro Road, Southborough, MA 01772-1034 so as to arrive at any time prior to the start of the Special Meeting. **Whether or not you intend to be present at the Special Meeting, you are urged to complete and return the enclosed Form of Proxy or Form of Instruction in accordance with the instructions printed thereon so as to arrive no later than 3 p.m. on 10 June 2010.**

This document contains certain statements that are or may be forward-looking. These statements typically contain words such as "intends", "expects", "will", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and therefore undue reliance should not be placed on such forward-looking statements. Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation to update publicly any of them in light of new information or future events except as required under applicable laws, the AIM Rules and other regulations. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record date for determination of Shareholders entitled to vote at the Special Meeting	5 p.m. on 12 May 2010
Publication date of this document	13 May 2010
Special Meeting	10 a.m. on 11 June 2010
Latest time and date for receipt by Computershare of Forms of Proxy	3 p.m. on 10 June 2010 (London Time)
Latest time and date for receipt by Computershare of Forms of Instruction	3 p.m. on 10 June 2010 (London Time)
Last day of dealing of Common Shares on AIM	18 June 2010
Cancellation of admission to trading on AIM of the Common Shares	with effect from 7.00 a.m. (London Time) on 21 June 2010
Expected despatch of share certificates (if applicable)	28 June 2010

Notes

- (1) If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by an announcement through the regulatory information service of the London Stock Exchange.
- (2) All references to time in this document are to E.D.T., unless otherwise specified.
- (3) Proxies may also be delivered to the Company at any time prior to the start of the Special Meeting.

ENQUIRIES

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John Connolly, Chief Financial Officer

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The Pavilions
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DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies entitled “AIM Rules for Companies” published by the London Stock Exchange in relation to AIM traded securities in force from time to time
“Amended and Restated Certificate of Incorporation”	the certificate of incorporation of the Company, in force at the date of this document
“Board”	the board of Directors of the Company for the time being, including a duly constituted committee of the Directors
“By-laws”	the by-laws of the Company, in force at the date of this document
“Cancellation”	the proposed cancellation of admission to trading on AIM of the Common Shares
“Common Shares”	the shares of common stock of par value 0.5 cents each in the capital of the Company
“Company” or “Protonex”	Protonex Technology Corporation
“Computershare”	Computershare Investor Services Jersey Limited, the Company’s registrars
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 N. 01/378), as amended
“CREST Stock Withdrawal”	an instruction which enables the transfer of securities from uncertificated to certificated form
“Depository Interest” or “DI”	a depository interest representing an entitlement of Common Shares
“Directors”	the directors of the Company whose names are set out on page 7 of this document
“E.D.T.”	Eastern Daylight Time
“Form of Instruction”	the form of instruction to be completed by holders of DIs for use at the Special Meeting or at any adjournment of such meeting enclosed with this document
“Form of Proxy”	the form of proxy for use at the Special Meeting or at any adjournment of such meeting enclosed with this document

“London Stock Exchange”	the London Stock Exchange plc
“Notice of Special Meeting”	the notice of the Special Meeting which is set out at the end of this document
“Piper Jaffray Ltd.” or “Piper Jaffray”	Piper Jaffray Ltd., the Company’s nominated adviser
“Preferred Shares”	the shares of preferred stock of par value 0.5 cents each in the capital of the Company
“Proxy Statement”	the proxy statement which is set out at the end of this document
“Resolutions”	the resolutions referred to in the Notice of Special Meeting
“Shareholders”	the holders of Common Shares from time to time
“Special Meeting”	the special meeting of the Company to be held at 153 Northboro Road, Southborough, Massachusetts, 01772-1034, United States at 10 a.m. on 11 June 2010, notice of which is set out at the end of this document
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

Unless otherwise indicated, all references in this document to “pounds sterling”, “sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom and all references to “\$”, “US\$” or “US dollars” are to the lawful currency of the United States.

LETTER FROM THE CHAIRMAN

PROTONEX TECHNOLOGY CORPORATION

(Incorporated under the laws of the State of Delaware, United States of America, with registered no 3300039)

Directors:

- Harry Edward Fitzgibbons (*Chairman and Non-executive Director*)
- Scott Alan Pearson (*Executive Director, President and Chief Executive Officer*)
- John James Connolly (*Executive Director and Chief Financial Officer*)
- Dr. Paul Osenar (*Executive Director and Chief Technology Officer*)
- John Ndoke Butt (*Non-executive Director*)
- Akbar Naderi (*Non-executive Director*)
- General (Ret) Charles Robert Holland (*Non-executive Director*)

Principal place of business:

153 Northboro Road,
Southborough,
Massachusetts,
01772-1034, United
States

13 May 2010

Dear Shareholder

Proposed cancellation of admission to trading on AIM of the Common Shares, and proposed authorization of the Preferred Shares

Notice of Special Meeting

1. Introduction

On 13 May 2010, the Company announced that the Board had resolved to seek Shareholders' approval for the cancellation of admission to trading on AIM of the Common Shares. In addition, the Company is seeking Shareholders' approval to make an amendment to its Amended and Restated Certificate of Incorporation to authorize a new class of "blank check" Preferred Shares.

The purpose of this letter is to provide you with the background to the Cancellation and the proposal to authorize Preferred Shares and to explain why the Directors unanimously consider the Cancellation and the authorization of Preferred Shares to be in the best interests of the Company and the Shareholders as a whole and to seek your approval of the Resolutions at the special meeting convened for this purpose.

The cancellation of admission of the Company's Common Shares to trading on AIM is conditional upon the approval of Shareholders at the Special Meeting. To be passed, Resolution 1 (which gives effect to the Cancellation) requires approval by Shareholders holding not less than 75 per cent. of the votes cast (in person or by way of proxy) at the Special Meeting. If Resolution 1 is not passed, the admission to trading of the Company's Common Shares on AIM will not be cancelled and its shares will continue to be traded on AIM. In such circumstances, the Board will continue to evaluate the Company's strategic options in consultation with its major Shareholders. However, Shareholders should be aware that, while its Common Shares continue to be admitted to trading on AIM, the Company will continue to incur costs associated with, inter alia, maintaining

such a quotation.

You will find set out in this document a Notice of Special Meeting and Proxy Statement. You will also find enclosed with this document a Form of Proxy or a Form of Instruction if you are a holder of Depositary Interests. **You should complete and return the Form of Proxy or Form of Instruction for use at the Special Meeting enclosed with this document whether or not you intend to attend the Special Meeting.**

2. Background to and reasons for the Cancellation

The principal reasons for the admission of the Company's Common Shares to trading on AIM have been (amongst others) (i) to provide the Company with the ability to access capital in order to fund its strategy, (ii) to properly reflect the value and potential of the Company and (iii) to provide liquidity for its Shareholders. The Company has reviewed the advantages and disadvantages of maintaining its AIM listing and the Directors believe that an AIM listing is unable to sufficiently address any of these three principal reasons.

Therefore, the Directors are recommending that the Company cancels the admission of its Common Shares to trading on AIM. In reaching this conclusion, the Directors have taken the following factors into account:

- a) Given the overall market conditions for small listed companies, the Directors are of the opinion that it is (and will continue to be) unlikely that the Company will be able to attract meaningful equity investment through its listing on AIM. An additional financing will be required by the Company in the next 12 to 18 months.
- b) The Directors estimate that the annual costs of the Company's AIM listing are at least \$375,000 per annum. This estimate includes listing expenses and advisory, legal and accounting fees. The Board considers these costs to be too high in relation to the benefits of trading on AIM and the Directors believe that these funds could be better utilized in growing the business.
- c) The amount of senior executive time which is spent on dealing with the regulatory burdens associated with maintaining and managing issues relating to the AIM listing is disproportionate to the benefit to the Company.
- d) In the Directors opinion, the AIM trading prices of the Common Shares in PTX and PTXU do not reflect the true value of the Company.
- e) The AIM listing of the Common Shares does not, in itself, offer investors the opportunity to trade in meaningful volumes or with frequency within an active market. With little trading volume, the Company's share price can move up or down significantly following trades of small numbers of shares. The many efforts made by the Company and its advisors to improve this liquidity situation have proven unsuccessful and the Directors do not anticipate this changing.

3. Financial strategy following the Cancellation and business update

The Directors believe that, in the current economic environment, the Company is best-suited to function and develop as a private company for at least the next 12 to 24 months. Upon the Cancellation becoming effective, the Company expects to begin the process of raising additional capital from private investment sources. At a future date, when the capital markets may have improved and when the Company's business is further developed, it is possible that the Directors may choose to pursue a public offering and listing in the United States.

Based on preliminary figures, the Company expects that the results for the half year period to 31 March 2010, as compared with the first half of 2009, will show a significant increase in total

revenues, a reduction in net loss and a significant reduction in cash burn. The Company's core business strategy remains focused and on track. The Company has launched two products in 2009 and expects additional product introductions during 2010 and 2011. The Directors of the Company continue to be pleased with the Company's performance and remain confident in the Company's growth prospects in 2010 and beyond.

4. Process for Cancellation

In accordance with Rule 41 of the AIM Rules, the Company has notified the London Stock Exchange of its intention to cancel the admission to trading on AIM of the Common Shares, subject to Shareholder approval, giving at least 20 business days' notice. Under the AIM Rules, it is a requirement that the Cancellation is approved by not less than 75 per cent. of votes cast by Shareholders (in person or by proxy) at the Special Meeting. Accordingly, Resolution 1 as set out in the Notice of Special Meeting seeks Shareholder approval for the Cancellation. Subject to the approval of the Cancellation at the Special Meeting, it is anticipated that trading in the Common Shares on AIM will cease at the close of business on 18 June 2010 with the Cancellation taking effect at 7:00 a.m. (London Time) on 21 June 2010.

5. Principal effects of the Cancellation

Following the Cancellation, there will be no market facility for dealing in the Common Shares and no price will be publicly quoted for the Common Shares. As such, holdings of Common Shares are unlikely to be capable of sale and will be difficult to value. The Depository Interest facility will be cancelled.

As mentioned under paragraph 6 ("Dealing and settlement arrangements") below, the Directors intend to use reasonable endeavours to create and maintain a matched bargain settlement facility for at least one year after the date of the Cancellation. However, there can be no guarantee that a Shareholder will be able to purchase or sell any Common Shares following the Cancellation.

Although the Common Shares will remain transferable, they will cease to be transferable through CREST. Those holders who currently hold Common Shares in uncertificated form as Depository Interests will, following the Cancellation becoming effective, be sent a share certificate for those Common Shares which were previously held in uncertificated form. Such share certificates will be dispatched by 28 June 2010. Depository Interest holders can withdraw the DI's from CREST by submitting a CREST Stock Withdrawal. The DI's will be withdrawn and a share certificate will be issued.

The Company will not be subject to the AIM Rules and, accordingly, it will not (amongst other things) be required to retain a nominated adviser or to comply with the requirements of AIM in relation to annual accounts and half yearly reports, the disclosure of sensitive information or the disclosure of information on corporate transactions.

6. Dealing and settlement arrangements

The Directors are aware that Shareholders may wish to acquire or dispose of Common Shares following the Cancellation. Accordingly, the Board intends to use reasonable efforts to employ the services of a third party matched bargain trading facility for at least one year following the Cancellation. Under this facility, Shareholders or persons wishing to buy or sell Common Shares will be able to leave an indication with the matched bargain trading facility provider that they are prepared to buy or sell at an agreed price. In the event that the matched bargain trading facility provider is able to match that order with an opposite sell or buy instruction, the matched bargain trading facility provider will contact both parties and then effect the bargain. In these circumstances, Shareholders who do not have their own broker may need to register with any matched bargain trading facility provider as a new client. Shareholders who consider they are likely to use this matched bargain trading facility provider would be

encouraged to commence registration at the earliest opportunity. Once such arrangements have been set up by the Company, details will be made available to Shareholders on the Company's website (www.protonex.com). It is expected that such arrangements will become effective shortly after Cancellation.

Transfers of interests in Common Shares in certificated form should be sent to the Company's registrars, Computershare, at Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES. Existing share certificates remain valid.

If Shareholders wish to buy or sell Common Shares on AIM they must do so prior to the Cancellation becoming effective. As noted above, in the event that Shareholders approve the Cancellation, it is anticipated that the last day of dealings in the Common Shares on AIM will be 18 June 2010 and that the effective date of the Cancellation will be 21 June 2010.

7. Background to and reasons for the amendment to the Amended and Restated Certificate of Incorporation of the Company to authorize a new class of "blank check" Preferred Shares

The Company currently is authorized to issue 120,000,000 Common Shares, of which 64,489,488 are issued and outstanding (the **Outstanding Common Shares**), and no Preferred Shares. The Board recommends that the Shareholders approve an amendment to Article Fourth of the Company's Amended and Restated Certificate of Incorporation that would authorize a class of "blank check" Preferred Shares, consisting of 50,000,000 Preferred Shares, \$0.005 par value per share. The proposed amendment regarding the Preferred Shares authorizes and empowers the Board to determine the relative rights and preferences of the Preferred Shares and to provide for the issuance of the Preferred Shares in one or more series with such relative rights and preferences as the Board shall determine. If the amendment is approved by the Company's Shareholders, Article Fourth of the Company's Amended and Restated Certificate of Incorporation, as amended, will read in its entirety as set forth in "Item 2 – Proposed Authorization of a Class of Blank Check Preferred Stock – General" in the Proxy Statement set out at the end of this document.

The term "blank check" preferred shares refers to shares which give the board of directors of a corporation the flexibility to create one or more series of preferred shares, from time to time, and to determine the relative rights, preferences, powers and limitations of each series, including, without limitation: (i) the number of shares in each series, (ii) whether a series will bear dividends and whether dividends will be cumulative, (iii) the dividend rate and the dates of dividend payments, (iv) liquidation preferences and prices, (v) terms of redemption, including timing, rates and prices, (vi) conversion rights, (vii) any sinking fund requirements, (viii) any restrictions on the issuance of additional shares of any class or series, (ix) any voting rights and (x) any other relative, participating, optional or other special rights, preferences, powers, qualifications, limitations or restrictions.

While the Company has no definitive plans to issue Preferred Shares, the Company is evaluating options available to it to raise capital, including the possibility of a capital raise through the sale of Preferred Shares. The Board believes that the proposed authorization of the issuance of the Preferred Shares is desirable because it would provide the Company with increased flexibility of action to raise additional capital or engage in a range of investment and strategic opportunities through equity financings without the delay and expense ordinarily attendant on obtaining further shareholder approval. The Board believes that the authorization of the Preferred Shares improves the Company's ability to attract needed investment capital, as various series of the Preferred Shares may be customized to meet the needs of any particular transaction or market conditions. The Company has been exploring the possibility of an additional placing of its Common Shares on AIM, but has not been successful in attracting buyers for its Common Shares on AIM and believes it will continue to be unlikely. The Board believes that an offering of Preferred Shares in a private transaction may be necessary in order to raise needed capital.

Additional information regarding the amendment to the Amended and Restated Certificate of

Incorporation of the Company to authorize “blank check” Preferred Shares is set forth in the Proxy Statement set out at the end of this document.

8. Notice of Special Meeting

A notice is set out at the end of this document convening a Special Meeting of the Company to be held at 153 Northboro Road, Southborough, Massachusetts, 01772-1034, United States at 10 a.m. on 11 June 2010.

At the Special Meeting, the Resolutions will be proposed as follows:

- Resolution 1- Approval of the Cancellation

Resolution 1 seeks approval for the application to cancel the admission of the Common Shares to trading on AIM. In accordance with the AIM Rules, the cancellation of admission to trading on AIM must be approved by not less than 75 per cent. of votes cast by the Company’s Shareholders.

- Resolution 2 - Approval of a Class of Blank Check Preferred Shares

Resolution 2 seeks approval of an amendment to the Amended and Restated Certificate of Incorporation of the Company to authorize a class of blank check preferred stock, consisting of 50,000,000 shares of preferred stock, \$0.005 par value per share. The affirmative vote of a majority of all of the Outstanding Common Shares will be required to approve the proposed authorization of the “blank check” Preferred Shares.

Action to be taken by Shareholders

A Form of Proxy (or a Form of Instruction for holders of Depositary Interests) is enclosed for use at the Special Meeting. **Whether or not you propose to attend the Special Meeting in person, you are requested to complete either (i) the Form of Proxy or (ii) the Form of Instruction.**

(i) The Form of Proxy

The Form of Proxy should be completed in accordance with the instructions printed on it and returned as soon as possible, by hand or by post, to the offices of the Company’s registrars, Computershare, at Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES. The completion and return of a Form of Proxy will not preclude you from attending and voting at the Special Meeting in person if you wish to do so.

(ii) The Form of Instruction

Holders of Depositary Interests traded through CREST on AIM will receive a Form of Instruction instead of a Form of Proxy. The Form of Instruction allows the Depositary Interest holder to direct the custodian of the Depositary Interest, Computershare Company Nominees Limited, to vote on their behalf at the Special Meeting. Forms of Instruction have been distributed to Depositary Interest holders with this document. Depositary Interest holders should complete the Form of Instruction in accordance with the instructions printed on it and return the Form of Instruction as soon as possible, by hand or by post, to Computershare Investor Services PLC at The Pavilions, Bridgewater Road, Bristol, BS99 6ZY United Kingdom as soon as possible.

Those Shareholders located in the United States can post the Form of Proxy or deliver it by hand to Protonex Technology Corporation, 153 Northboro Road, Southborough, MA 01772-1034.

Whether or not you intend to be present at the Special Meeting, you are urged to complete and return the enclosed Form of Proxy or Form of Instruction in accordance with the instructions printed thereon so as to arrive no later than 3 p.m. on 10 June 2010.

9. Recommendation

The Directors consider the Cancellation, the authorization of Preferred Shares and the passing of the Resolutions to be in the best interests of the Company and its Shareholders as a whole and accordingly they unanimously recommend that you vote in favour of the Resolutions as they intend to do so in respect of their own beneficial holdings which, in aggregate, amount to 9,615,978 Common Shares, representing approximately 14.9 per cent. of the Common Shares.

Yours faithfully,

Harry Fitzgibbons

Chairman and Non-executive Director

PROTONEX TECHNOLOGY CORPORATION
153 Northboro Road
Southborough, Massachusetts 01772-1034

NOTICE OF SPECIAL MEETING
TO BE HELD 11 JUNE 2010

To our Shareholders:

NOTICE IS HEREBY GIVEN that a Special Meeting (the “Meeting”) of Shareholders of Protonex Technology Corporation (the “Company”) will be held at the offices of the Company, 153 Northboro Road, Southborough, Massachusetts 01772-1034, United States on Friday, 11 June 2010, at 10:00 a.m. Eastern Daylight Time for the following purposes:

1. To consider and act upon a proposal to approve cancelling the admission of the Company’s common stock from trading on the AIM Market of the London Stock Exchange (“AIM”).
2. To consider and act upon a proposal to approve an amendment to the Amended and Restated Certificate of Incorporation of the Company to authorize a class of blank check preferred stock, consisting of 50,000,000 shares of preferred stock, \$0.005 par value per share.

The close of business on Wednesday, 12 May 2010, is the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting.

By Order of the Board of Directors

SCOTT A. PEARSON, *President*
13 May 2010

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ACCOMPANYING PROXY AND RETURN IT AS SOON AS POSSIBLE IN THE ENVELOPE ENCLOSED FOR THAT PURPOSE. THE GIVING OF SUCH PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING IN PERSON.

PROTONEX TECHNOLOGY CORPORATION
153 Northboro Road
Southborough, Massachusetts 01772-1034

13 May 2010

PROXY STATEMENT

2010 Special Meeting

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Protonex Technology Corporation (the “Company” or “Protonex”), a Delaware corporation, of proxies to be voted at a Special Meeting (the “Meeting”) of Shareholders of the Company to be held at 10:00 a.m. E.D.T. on Friday, 11 June 2010 at the offices of the Company, 153 Northboro Road, Southborough, Massachusetts 01772-1034, United States, and any and all adjournments thereof, for the purpose set forth in the accompanying Notice of Special Meeting. Shareholders who execute proxies may revoke them at any time before exercise thereof. See “**OTHER MATTERS,**” below.

VOTING SECURITIES OUTSTANDING

Only shareholders of record at the close of business on 12 May 2010, the record date, are entitled to notice of, and to vote at, the Meeting and at any adjournment thereof. As of such date, there were 64,489,488 shares of common stock of the Company issued and outstanding. Each share is entitled to one vote with respect to all matters to be acted upon at the Meeting. The holders of one-third of the Company’s common stock outstanding and entitled to vote, represented at the meeting in person or by proxy, shall constitute a quorum for the transaction of business.

The affirmative vote of 75% of the votes cast by the shareholders represented in person or by proxy at the Meeting and entitled to vote will be required to approve cancelling the admission of the Company’s common stock from trading on AIM (the “Cancellation”). The affirmative vote of a majority of all of the outstanding shares of the Company’s Common Stock will be required to approve the proposed authorization of blank check preferred stock. A properly executed proxy marked “abstain” with respect to each such matter will not be voted in favour, although it will be counted as present and entitled to vote. An abstention will have no effect on the outcome of voting on the Cancellation. However, an abstention will have the effect of a negative vote on the proposal to authorize a class of blank check preferred stock.

ITEM 1 –PROPOSED CANCELLATION OF ADMISSION OF OUR COMMON STOCK FROM TRADING ON AIM

The Board of Directors of the Company (the “Board”) is seeking shareholder approval of the cancellation of admission of our common stock from trading on AIM.

Discussion of the Purpose of this Proposal

Our common stock is currently admitted to trading on AIM. The principal reasons for the admission of our common stock to trading on AIM include, without limitation: (i) to provide the Company with the ability to access capital in order to fund its strategy, (ii) to properly reflect the value and potential of the Company, and (iii) to provide liquidity for the Company’s shareholders. The Company has reviewed the advantages and disadvantages of maintaining its AIM listing and the Board believes that an AIM listing is unable to sufficiently address any of these three principal reasons.

Therefore, the Board recommends that the Company cancel the admission of our common stock from trading on AIM. In reaching this conclusion, the Board has taken the following factors into account:

- (a) Given the overall market conditions for small listed companies, the Board is of the opinion that it is and will continue to be unlikely that the Company will be able to attract meaningful equity investment through its listing on AIM. An additional financing will be required by the Company in the next 12 to 18 months.
- (b) The Board estimates that the annual costs of the Company’s AIM listing are at least \$375,000 per annum. This estimate includes listing expenses and advisory, legal and accounting fees. The Board considers these costs to be too high in relation to the benefits of trading on AIM and believes that these funds could be better utilized in growing the business of the Company.
- (c) The amount of senior executive time which is spent on dealing with the regulatory burdens associated with maintaining and managing issues relating to the AIM listing is disproportionate to the benefit to the Company.
- (d) In the opinion of the Board, the AIM trading prices of shares of our common stock under the trading symbols PTX and PTXU on AIM do not reflect the true value of the Company.
- (e) The AIM listing of our common stock does not, in itself, offer investors the opportunity to trade in meaningful volumes or with frequency within an active market. With little trading volume, the Company’s share price can move up or down significantly following trades of small numbers of shares. The many efforts made by the Company and its advisors to improve this liquidity situation have proven unsuccessful and the Board does not anticipate this changing.

Financial Strategy Following the Cancellation and Business Update

The Board believes that, in the current economic environment, the Company is best-suited to function and develop as a private company for at least the next 12 to 24 months. Upon Cancellation becoming effective, the Company expects to begin the process of raising additional capital from private investment sources. At a future date, when the capital markets may have improved and when the Company's business is further developed, it is possible that the Board may choose to pursue a public offering and listing in the United States.

Based on preliminary figures, the Company expects that the results for the half year period to 31 March 2010, as compared with the first half of 2009, will show a significant increase in total revenues, a reduction in net loss and a significant reduction in cash burn. The Company's core business strategy remains focused and on track. The Company has launched two products in 2009 and expects additional product introductions during 2010 and 2011. The Board continues to be pleased with the Company's performance and remains confident in the Company's growth prospects in 2010 and beyond.

Process for Cancellation

In accordance with Rule 41 of the AIM Rules, the Company has notified the London Stock Exchange of its intention to cancel the admission of its common stock for trading on AIM, subject to shareholder approval, giving at least 20 business days' notice. Subject to the approval of the Cancellation at the Meeting, it is anticipated that trading in the common stock on AIM will cease at the close of business on 18 June 2010 with the cancellation taking effect at 7:00 a.m. (London Time) on 21 June 2010.

Principal Effects of the Cancellation

Following the Cancellation, there will be no market facility for dealing in shares of our common stock and no price will be publicly quoted for our common stock. As such, holdings of our common stock are unlikely to be capable of sale and will be difficult to value. The CREST facility will be cancelled.

As discussed under the heading "Dealing and Settlement Arrangements" below, the Board intends to use reasonable endeavours to create and maintain a matched bargain settlement facility for at least one year after the date of the Cancellation. However, there can be no guarantee that a shareholder will be able to purchase or sell any shares of our common stock following the Cancellation.

Although shares of our common stock will remain transferable, they will cease to be transferable through CREST. Those shareholders who currently hold shares of our common stock in uncertificated form in CREST will, following the Cancellation becoming effective, be sent a share certificate for those shares of common stock which were previously held in uncertificated form. Such share certificates will be dispatched by 28 June 2010.

The Company will not be subject to the AIM Rules and, accordingly, it will not, among other things, be required to retain a nominated adviser or to comply with the requirements of AIM in relation to annual accounts and half yearly reports, the disclosure of sensitive information or the disclosure of information on corporate transactions.

Dealing and Settlement Arrangements

The Board is aware that shareholders may wish to acquire or dispose of shares of our common stock following the Cancellation. Accordingly, the Board intends to use reasonable efforts to employ the services of a third party matched bargain trading facility for at least one year following the Cancellation. Under this facility, shareholders or persons wishing to buy or sell shares of our common stock will be able to leave an indication with the matched bargain trading facility provider that they are prepared to buy or sell at an agreed price. In the event that the matched bargain trading facility provider is able to match that order with an opposite sell or buy instruction, the matched bargain trading facility provider will contact both parties and then effect the bargain. In these circumstances, shareholders who do not have their own broker may need to register with any matched bargain trading facility provider as a new client. Shareholders who consider they are likely to use this matched bargain trading facility provider would be encouraged to commence registration at the earliest opportunity. Once such arrangements have been set up by the Company, details will be made available to shareholders on the Company's website (www.protonex.com). It is expected that such arrangements will become effective shortly after Cancellation.

Transfers of shares of our common stock in certificated form should be sent to the Company's registrars, Computershare, at Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES. Existing share certificates remain valid.

If shareholders wish to buy or sell shares of our common stock on AIM, they must do so prior to the Cancellation becoming effective. As noted above, in the event that shareholders approve the Cancellation, it is anticipated that the last day of dealings in shares of our common stock on AIM will be 18 June 2010 and that the effective date of the Cancellation will be 21 June 2010.

Effect of Cancellation on Amended and Restated Certificate of Incorporation

Our Amended and Restated Certificate of Incorporation contains certain provisions relating to pre-emptive rights, takeovers, and disclosure of interests in shares of the Company that the Company was advised to adopt upon the admission of our common stock to trading on AIM. Article Tenth of our Amended and Restated Certificate of Incorporation provides that (i) any person or persons that acquire securities representing thirty percent (30%) or more of the Company's voting power must make a cash offer for the remaining shares of the Company at the highest price such person or persons has paid in the preceding twelve months and (ii) any person or persons holding securities representing between thirty percent (30%) and fifty percent (50%) of the Company's voting power must make an offer if such person or persons acquire additional securities, in any period of twelve months, which increases such person's or persons' voting power by more than one percent (1%). Article Eleventh of our Amended and Restated Certificate of Incorporation provides that any shares which the Company proposes to issue for sale shall, with certain exceptions, first be offered for subscription to the shareholders in the proportion that the number of such shares then held by each such shareholder bears to the total number of outstanding shares of the Company's capital. Article Twelfth of our Amended and Restated Certificate of Incorporation provides that any person who acquires an interest or ceases to have an interest equal to three percent (3%) or more of the issued shares in a class of stock of the Company is required to notify the Company of such interest. Upon the

Cancellation becoming effective, these provisions of our Amended and Restated Certificate of Incorporation will no longer be in effect in accordance with their own terms. A copy of the Amended and Restated Certificate of Incorporation is available for inspection on the Company's website at www.protonex.com.

The Board of Directors recommends that the shareholders vote “FOR” approval of the proposed cancellation of admission of our common stock from trading on AIM.

ITEM 2 – PROPOSED AUTHORIZATION OF A CLASS OF BLANK CHECK PREFERRED STOCK

The Board is seeking shareholder approval of an amendment to the Amended and Restated Certificate of Incorporation of the Company to authorize a class of blank check preferred stock, consisting of 50,000,000 shares of preferred stock, \$0.005 par value per share.

General

The Company currently is authorized to issue 120,000,000 shares of common stock, of which 64,489,488 are issued and outstanding, and no shares of preferred stock. The Board recommends that the shareholders approve an amendment to Article Fourth of the Company's Amended and Restated Certificate of Incorporation that would authorize a class of blank check preferred stock, consisting of 50,000,000 shares of preferred stock, \$0.005 par value per share. The proposed amendment regarding the preferred stock authorizes and empowers the Board to determine the relative rights and preferences of the preferred stock and to provide for the issuance of the preferred stock in one or more series with such relative rights and preferences as the Board shall determine. If the amendment is approved by the Company's shareholders, Article Fourth of the Company's Amended and Restated Certificate of Incorporation, as amended, will read in its entirety as follows:

“**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 120,000,000 shares of Common Stock, \$0.005 par value per share (“Common Stock”) and (ii) 50,000,000 shares of Preferred Stock, \$0.005 par value per share (“Preferred Stock”).

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation:

A. COMMON STOCK.

1. **General.** The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. **Voting.** The holders of the Common Stock are entitled to one vote for each share held at all meetings of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

B. PREFERRED STOCK.

Shares of Preferred Stock may be issued from time to time in one or more series, with each such series to consist of such number of shares and to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors of the Corporation, and the Board of Directors is hereby expressly vested with authority, to the fullest extent now or hereafter provided by law, to adopt any such resolution or resolutions. The Board of Directors may increase or decrease the number of shares of any such series subsequent to the issuance of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any such series shall be so decreased, the shares constituting such decrease shall resume the status they had prior to the adoption of the resolution originally fixing the number of shares of such series.”

The term “blank check” preferred stock refers to stock which gives the board of directors of a corporation the flexibility to create one or more series of preferred stock, from time to time, and to determine the relative rights, preferences, powers and limitations of each series, including, without limitation: (i) the number of shares in each series, (ii) whether a series will bear dividends and whether dividends will be cumulative, (iii) the dividend rate and the dates of dividend payments, (iv) liquidation preferences and prices, (v) terms of redemption, including timing, rates and prices, (vi) conversion rights, (vii) any sinking fund requirements, (viii) any restrictions on the issuance of additional shares of any class or series, (ix) any voting rights and (x) any other relative, participating, optional or other special rights, preferences, powers, qualifications, limitations or restrictions.

Discussion of the Purpose of this Proposal

While the Company has no definitive plans to issue shares of preferred stock, the Company is evaluating options available to it to raise capital, including the possibility of a capital raise through the sale of shares of preferred stock. The Board believes that the proposed authorization of the issuance of the preferred stock is desirable because it would provide the Company with increased flexibility of action to raise additional capital or engage in a range of investment and strategic opportunities through equity financings without the delay and expense ordinarily attendant on obtaining further shareholder approval. The Board believes that the authorization of the preferred stock improves the Company’s ability to attract needed investment capital, as various series of the preferred stock may be customized to meet the needs of any particular transaction or market conditions. The Company has been exploring the possibility of an additional placing of its common stock on AIM, but has not been successful in attracting buyers for its common stock on AIM and believes it will continue to be unlikely. The

Board believes that an offering of preferred stock in a private transaction may be necessary in order to raise needed capital.

Effect of the Amendment on Current Shareholders

If the proposed amendment is approved by the shareholders, the additional shares of preferred stock so authorized could be issued, at the discretion of the Board, for any proper corporate purpose, without further action by the shareholders other than as may be required by applicable law or stock exchange listing standards for a particular transaction. Existing shareholders may not have, and if the proposal to De-List from AIM is approved by the shareholders will not have, preemptive rights with respect to future issuances of preferred stock by the Company and their interest in the Company could be diluted by such issuances with respect to any of the following: earnings per share, voting, liquidation rights, and book and market value.

If the proposed amendment with respect to the preferred stock is approved, the Board will have the power to issue the authorized preferred stock in one or more classes or series with such preferences and voting rights as the Board may fix in the resolution providing for the issuance of such shares. The issuance of preferred stock could affect the relative rights of the Company's common stock. Depending upon the exact terms, limitations and relative rights and preferences of the preferred stock as determined by the Board at the time of issuance, the holders of preferred stock may be entitled to a higher dividend rate than the common stock, a prior claim on funds available for the payment of dividends, a fixed preferential payment in the event of liquidation and dissolution of the Company, redemption rights, rights to convert their preferred stock into common stock, and voting rights which could dilute the voting control of the Company by the holders of common stock. Depending on the particular terms of any series of the preferred stock, holders thereof may have significant voting rights and the right to representation on the Company's Board. In addition, the approval of the holders of preferred stock, voting as a class or as a series, may be required for the taking of certain corporate actions, such as mergers.

Possible Anti-Takeover Effects of the Proposed Amendment

The issuance of shares of preferred stock may have the effect of discouraging or thwarting persons seeking to take control of the Company through a tender offer, proxy fight or otherwise seeking to bring about removal of incumbent management or a corporate transaction such as a merger. For example, the preferred stock may be viewed as having the effect of discouraging an attempt by another person or entity, through the acquisition of a substantial number of shares of common stock, to acquire control of the Company. The proposed amendment has not been made in response to, and is not being presented to deter, any effort to obtain control of the Company and is not being proposed as an anti-takeover measure.

The Board of Directors recommends that the shareholders vote "FOR" approval of the proposed authorization of a class of blank check preferred stock.

OTHER MATTERS

All shares represented by proxies in the form enclosed herewith will be voted at the Meeting and adjournments thereof in accordance with the terms of such proxies, provided such proxies appear to be valid and executed by shareholders named in the register of members at the

close of business on the record date entitled to vote thereat and have not previously been revoked. A proxy may be revoked at any time prior to its exercise by the filing with the Secretary of the Company of an instrument revoking such proxy or a duly executed proxy bearing a later date. A shareholder's proxy will not be voted if the shareholder attends the Meeting and elects to vote in person. Where the person solicited specifies in his proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specification so made. If a shareholder returns a properly executed proxy and fails to make any specification, the proxy will be voted **FOR** approval of the proposed cancellation of admission to AIM and **FOR** approval of the authorization of a class of blank check preferred stock.

By Order of the Board of Directors

SCOTT A. PEARSON, *President*
13 May 2010