

PolyFuel Releases Trading Update

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Highlights:

- PolyFuel has secured two further design wins from two major Consumer Electronics OEMS;
- Four leading portable fuel cell system developers have disclosed in the last two months that they plan to launch test market and commercial products in the 2007/2008 timeframe;
- Two of the four have indicated to PolyFuel that the PolyFuel technology is critical to enabling their commercialization strategies; and
- The worldwide regulatory agencies have issued their new fuel cell regulations as expected, allowing the carriage and use of portable fuel cells (including direct methanol fuel cells) into the cabin of passenger aircraft.

PolyFuel, Inc. (AIM: PYF), a developer of engineered fuel cell membranes for the portable electronics and automotive industries, today provides a trading update ahead of its preliminary results for the year ended 31 December 2006.

Customers

Since its December 11th trading update, PolyFuel has extended its customer base from 18 to now 19 of the world's leading fuel cell system developers, the majority of which are major consumer electronics companies, including NEC, Sanyo and Samsung.

Design Wins

During the last 60 days, PolyFuel secured two additional design wins from major consumer electronics corporations who have incorporated PolyFuel's hydrocarbon membrane technology into their various prototype portable fuel cell power supplies. The directors believe PolyFuel's share of such design wins grew from approximately 20% in 2005 to 40% in 2006. The directors also believe that PolyFuel will continue to secure additional design wins throughout 2007.

Market

Also in the last 60 days, four leading portable fuel cell system developers have indicated their intention to launch a portable fuel cell into test markets in 2007/2008, followed by commercial launches in 2008/2009. Two of these companies have indicated that PolyFuel's hydrocarbon membrane technology is critical to enabling the

commercialization of their direct methanol fuel cell products. Based on PolyFuel's technical progress, and on feedback from its customers, the directors expect that PolyFuel will participate fully in these test and commercial market launches.

Regulatory

The regulatory environment for portable fuel cells improved as expected in January. In the 48th Edition of its Dangerous Goods Regulations, the International Air Transportation Association (IATA) put in place new regulations allowing the carriage and use of portable fuel cells (including direct methanol fuel cells) and their associated fuel cartridges into the cabin of passenger aircraft. IATA members include 250 airlines across 136 countries which collectively represent 94% of scheduled air traffic.

This change in regulations is the result of extensive work by the leading portable fuel cell system developers, the IATA, the UN, the International Civil Aviation Organization, and others. These regulations came into effect worldwide in January, except in the US, where the implementation is being deferred until the completion of a public consultation process. The fuel cell industry expects that the US will adopt the methanol fuel cell regulations without changes later this year.

Commenting on today's announcement, Jim Balcom, President and CEO of PolyFuel, said:

"We are pleased to report that the strong momentum seen in 2006 has continued into the New Year as we further broaden our customer base and increase our share of prototype design wins."

PolyFuel will be announcing preliminary results for the year ended 31 December 2006 on 23 April.