

FROM THE CEO'S DESK

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It gives me great pleasure to welcome you to the premier issue of *Hydrogen Sense*, H2scan's monthly eNewsletter. It is my hope this newsletter will be an informative glimpse at what's taking place here at H2scan. It will feature noteworthy and upcoming events, product updates, news of new applications and employee snapshots.

It has been a very exciting year for us here at H2scan. With the upgrade of our manufacturing and research & development facility, the expansion of our global distribution network and the completion of our Series D financing, we are well positioned to capitalize on the growing demand for hydrogen sensing and measurement systems. The evolution and growth of H2scan has been a thrilling experience for me to personally be a part of.

H2scan is committed to advancing the development of our core technology. We are now globally recognized as having the most innovative technology for measuring hydrogen, even in the harshest environments. There are many new, exciting products in development that will further separate us from the competition and give our selected distributors more products to sell.

Thank you for taking the time to read *Hydrogen Sense* and keep a look out for the next issue. If you would like to receive future issues of *Hydrogen Sense* or submit comments or questions, please send us your email to: h2info@h2scan.com.

Sincerely,

Dennis Reid
President & CEO
H2scan Corporation



Whether to ensure the safety and protection of personnel or to effectively monitor industrial processes, many industries can benefit from hydrogen detecting technology. H2scan has responded to the needs of these industries by developing innovative, hydrogen specific technology solutions.



PRODUCT SNAPSHOT



**The HY-OPTIMA 700 Series:
Maximizing Utility for Hydrogen-Based Engineering Processes**

REGIONAL HYDROGEN
NEWS

June 26, 2008

First **retail hydrogen fueling station** in California opens at a Shell located near the intersection of **Interstate Highways 10 and 405** and supported by Governor Schwarzenegger's **California Hydrogen Highway** program. It joins 25 experimental stations in the state that primarily service municipal car fleets.

H2scan's HY-OPTIMA series has been specially designed to maximize process efficiencies through the careful monitoring of hydrogen levels while smoothly integrating into industrial operations. As part of an automation chain and feedback loop, the HY-OPTIMA 700 sensor package operates within the process stream, or in-line, meaning that there is no need to remove samples from the process stream to make measurements, saving time and money.

Through more accurate measurements of hydrogen levels in the process stream, the HY-OPTIMA allows for new levels of control where real time measurements of hydrogen can increase process plant efficiencies. Additionally, it can improve diagnostics and enhance maintenance management, translating into higher profitability, thus providing a competitive advantage to any company using H2scan's products.

The 700 series best displays one of the features that make H2scan's technology unique: its ability to accurately measure hydrogen when in the presence of other compounds. The HY-OPTIMA 750 stays accurate in the presence of common compounds, such as carbon dioxide or hydrogen sulfide.

H2scan has further customized the 700 series to meet specific industry requirements with each individual model of the 700 series. For example, the HY-OPTIMA 750 is the company's most robust model, capable of operating in hostile environments. It is primarily used in the chlorine production process, where corrosive gas or liquid streams damage most other devices.



H2scan Completes Upgrade and Construction of State-of-the-Art Manufacturing and Research & Development Facility

H2scan recently completed construction and a major upgrade to its state-of-the-art manufacturing facility that will also aid in the research and development of hydrogen-specific sensors to stay at the cutting-edge of the field.

Located at H2scan headquarters in Valencia, CA, this facility includes a built-in multiple gas stream system, allowing for high-quality on-site calibration tests to improve the reliability of each unit shipped.

The upgrade was conducted to support H2scan's efforts in continuing to manufacture high-quality products, which has been central to the Company's success and industry growth to date. President & CEO Dennis Reid stated, "The upgrade is part of our overall commitment to providing exceptional products that contain the most advanced hydrogen sensing technology. R&D is one of our top priorities and plays an important role in the innovation process."

This new facility will allow the Company to continue to push the bounds, producing more accurate devices and process sensors. Before shipping, each H2scan unit is rigorously tested to make sure it meets the Company's strict quality controls. Additionally, H2scan offers the option of doing an on-site field calibration to synchronize the device with any agreed upon environment between customers and the Company.

Lastly, the upgrade allows for expansion of production schedules, furthering H2scan's growth potential and synergizing with recent distribution agreements on the international market. Through the expansion of its facilities, H2scan can better meet its commitment to provide the best hydrogen specific sensors to industries that can best take advantage of the solutions that the Company sells.

H2SCAN NEWS

June 19, 2008

H2scan Announces **Randy Morgan** as Eastern Region Sales Manager and **Steve Hoviss** as Marketing Manager

July 10, 2008

H2scan signs distribution agreements with **Mikro Elektronik** and **Petromarket Services LLC** to broaden H2scan's market presence in **Turkey, Colombia** and **Venezuela**.

EMPLOYEE SNAPSHOT



Promotion Announcement: Prabhu Soundarrajan to be Director of Strategic Applications Development

On July 16, 2008, H2scan announced the promotion of Prabhu Soundarrajan to Director of Strategic Applications Development. In this role, Mr. Soundarrajan will focus on and lead efforts to further develop company applications in the chlorine and petrochemical markets. Mr. Soundarrajan will also remain as the Company's Chief Scientist.

This promotion underlines H2scan's latest retail offerings in the chlorine industry, specifically the HY-OPTIMA 750, highlighted in this issue. The first plant test units have recently been delivered for measuring hydrogen in both humid and dry chlorine streams. Mr. Soundarrajan will be focusing his efforts in this area over the next several months.

Mr. Soundarrajan joined H2scan in 2007 as a research scientist, and in addition to sensor research, he also directs contaminant testing at Sandia National Laboratory through H2scan's Cooperative Research and Development Agreement (CRADA) and identifies key application areas to enable H2scan to enter into strategic markets.

Mr. Reid said, "Prabhu has been a major contributor to the Company's growth and success in these markets. We are delighted to have him working full-time in identifying existing and new opportunities where our hydrogen specific products can assist companies in improving their measurement process and lowering their costs. We wish him continued success in this important position."

RECENT EVENTS

July 29, 2008

H2scan successfully secured \$4 Million in Series D funding in venture and angel capital, where most investors had participated in previous series funding. Proceeds from the funding have been used to upgrade the production and R&D facility, purchase additional equipment and provide additional funds for sales and marketing efforts.