

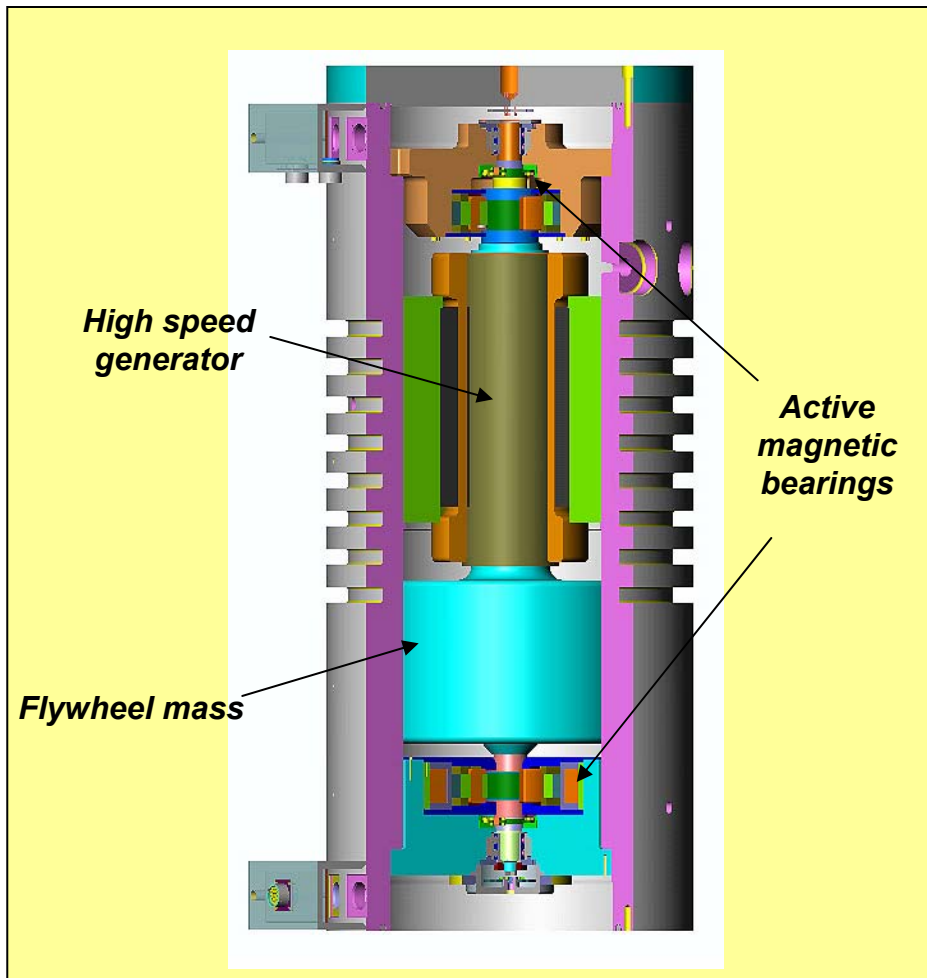


Flywheel Based Energy Storage
Systems

Market

- *Every year power losses ranging in duration from microseconds to days affect 72% of US businesses at an annual cost of \$119 to \$188 billion*
- We know that there is a need for reliable back up power.
- Flywheel systems have a place in the uninterruptible power supply market
- Flywheels are finding new applications where short duration peak power demands are creating high capital costs as well as ongoing high power costs
- *VYCON has the only flywheel system in the market today that can be used in high cycle deep discharge applications*

VYCON Technology



- Designed for industrial applications
- Price competitive
- Patented and proprietary technologies
- Suited for demanding applications

Market Opportunity

Low Cycle

- UPS ride through applications with an opportunity to enter into the \$2.1bn UPS market for batteries in the power level above 50kVA



High Cycle

- Rail power applications where 1 to 3MW of power is used for maintaining constant voltage along a line, or to eliminate peak power costs at stations.
- Required cycling of 50% duty
- Calculated US and Canada market is \$3.85bn



Strategic Customers/Partners

- **Cummins Power Generation**

- 160 kVA unit designed to Cummins specifications
- North & South America distribution
- Product release scheduled for 2004 PowerGen



- **Sumitomo Corporation**

- Strategic investment
- Distribution in Japan



- **Tridus International**

- Strategic investment
- Distribution in China and Korea



VYCON Management

- ***All have business and product development experience, Engineering degrees and Master's degrees in Business Administration***
- ***Over 15 years working together in the design and development of high speed machinery and magnetic bearing systems***

Vatche Artinian
President and CEO
VYCON and Calnetix

- Extensive experience in growing small technology businesses.
- Highly regarded in the power generation industry

Patrick McMullen
Chief Technical Officer

- Expert in magnetic bearings and high speed rotating equipment

Louis Romo
Vice President
New Business Development

- Experienced in developing worldwide distribution and sales in rotating equipment industries

Andy Paylan
Product Development Director

- Expert in utility applications, system integration and software controls

Business Outlook

	2,003	2,004	2,005	2,006	2,007	2,008
	Total	Total	Total	Total	Total	Total
TOTAL REVENUES	0	160,000	6,112,500	16,700,125	43,926,190	69,187,100
Number of Units Sold		4	150	345	810	1,260
GROSS PROFIT	0	(278,118)	593,639	4,709,445	16,145,145	30,181,340
Total Operating Expenses	1,136,159	2,168,468	3,752,450	4,215,635	4,677,250	4,973,250
PRE TAX NET INCOME	(1,136,159)	(2,446,585)	(3,158,811)	493,810	11,467,895	25,208,090

- Financial analysis using existing minimum purchase quantities from distributors as a base
- \$10M investment expected:
 - \$4M from Series A (completed in May 2004)
 - Currently open extension of Series A for additional \$3M
 - Series B funding targeted for Dec 2005