



**FOR IMMEDIATE RELEASE**

**TSX Symbol: P**

## **RAILPOWER REPORTS FISCAL 2004 YEAR END RESULTS**

**VANCOUVER, British Columbia, March 14, 2004** - RailPower Technologies Corp. (TSX: P) today reported its consolidated financial results for the year ended December 31, 2004.

The following summarizes the key points for the period:

- Sales were \$740,000 compared to nil for year ended December 31, 2003.
- Total potential orders totaled 79 locomotives (13 firm orders) at the end of 2004, compared to one firm order at the end of 2003.
- Cash and cash equivalents increased to \$53.9 million as at December 31, 2004 from \$13.9 million at December 31, 2003.
- Common shares issued increased to 42.3 million from 24.9 million at December 31, 2003.
- Net loss increased to \$15 million from \$3.9 million for the previous 12 months.
- R&D and Manufacturing costs rose to \$10.2 million compared to \$2.2 million prior year.
- Expenses increased to \$15.3 million from \$4.0 million for the 12 months ended December 31, 2003.
- Loss per weighted average share increased to 51 cents, compared to a loss of 23 cents in the previous 12 months.

RailPower President and CEO, Jim Maier, said "RailPower has transitioned from a focus on research and development to one of sales and commercial production of our hybrid locomotives and the expansion of our product line and markets. By year end, outsourced production was taking place at three separate locations, two in the US and one in Canada.

"At December 31, 2004, we had 13 firm orders, provisional orders for the sale of 31 locomotives, plus a letter of intent covering 35 more, compared with one firm order at December 31, 2003. Earlier today, our order from Canadian Pacific Railway for 35 locomotives over a four year period was announced. We have recently completed a firm contract with Railserve, Inc. for nine of the 31 provisional orders, with discussions active on the remaining 22 and we anticipate further firm order announcements in the coming weeks.

"In order to accomplish this, we hired additional fulltime employees. At the end of the year, the number of employees and consultants was in excess of 60. In December 2003 the figure was 37. With more employees and a focus on selling and marketing locomotives and supporting locomotives in the field, travel and related expenses increased substantially.

"During the year, we also raised nearly \$65 million. This has laid a solid financial base for the company in 2005 and onwards," stated Maier.

During fiscal 2004, RailPower concluded an initial lending arrangement with LaSalle Bank of Chicago. Under the terms of the agreement, LaSalle is providing a three-year term loan of US\$2.9 million to RailPower. The loan is secured against six of the company's locomotives, two of which were completed at the end of 2004, with the remainder being completed in 2005.

"Debt financing is a common and prudent practice for a company moving into full commercialization," said Maier. "It preserves cash on hand and takes advantages of current attractive lending rates. We anticipate additional debt facilities as our business grows."

Salaries increased 300% to \$4.5 million as result of the additional hiring of fulltime employees, many of whom have significant railroad expertise in engineering, manufacturing and procurement. Consulting fees rose 323% to \$2.7 million in the year. The majority of staffing was completed by year end.

The start up of production in Calgary took longer than originally anticipated, and some issues were experienced with third party components. These issues have been addressed and the pre-production process has now transitioned into full commercial production, both in Calgary and at the Motive Power Inc. facility in Boise, Idaho, with our first production locomotive delivered from Calgary at the end of February, 2005.

Meanwhile, production of hybrid locomotives from kits supplied to Railsolve has commenced in Longview, Texas. These are the Railsolve locomotives that were awarded clean air grants by the Texas Emissions Reduction Program in 2004.

With respect to the cost of the locomotives, pre-production and early production locomotives have cost more to assemble than originally anticipated. A large element of these additional costs relate to the overhaul and assembly processes rather than to our core technologies.

As we move into volume production, we believe that we will be able to see the benefits of volume purchasing and volume assembly and we have a number of programs to reduce excess costs inherent in our early designs. We are also looking at measures to maximize the returns on our core power systems and control technologies.

We have appointed Jeff Kisk as Vice-President, Operations and Gary Eelman Executive Vice-President, Sales, Emissions & Customer Support, effective immediately. These appointments reflect their expanded roles within our growing company.

The consolidated financial statements and the company's Management Discussion and Analysis ('MD&A') as at December 31, 2004, were prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars, except where indicated otherwise. The full statements and MD&A will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and mailed to shareholders shortly.

RailPower (TSX: P) ([www.railpower.com](http://www.railpower.com)) is headquartered in Vancouver, BC. Its subsidiary company, RailPower Hybrid Technologies Corp., is located in Erie, PA.

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*FORWARD-LOOKING STATEMENTS*

*Certain statements contained in this release contain forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements. Those statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, without limitation, product development or manufacturing delays, changing environmental regulations, the ability to attract and retain business partners, future levels of government funding, competition from other technologies, and the ability to provide the capital required for research, product development, operations and marketing. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying our projections or forward-looking statements prove incorrect, our actual results may vary materially from those described in this report as intended, planned, anticipated, believed, estimated, or expected. We do not intend and do not assume any obligation to update these forward-looking statements.*

**RAILPOWER TECHNOLOGIES CORP.**

(Expressed in Canadian dollars)

## Consolidated Balance Sheets

December 31, 2004 and 2003

	2004	2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 53,912,984	\$ 13,903,184
Restricted cash	4,238,122	580,000
Accounts receivable	622,805	132,366
Inventory	9,557,726	1,140,923
Prepaid expenses	212,256	51,085
	<u>68,543,893</u>	<u>15,807,558</u>
Plant and equipment	795,843	281,543
Demonstration fleet	2,374,072	-
Patents	217,180	129,659
Deferred development costs	13,545	-
	<u>\$ 71,944,533</u>	<u>\$ 16,218,760</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,064,283	\$ 812,314
Customer deposits	315,465	3,897
Current portion of long-term debt	130,217	-
	<u>5,509,965</u>	<u>816,211</u>
Long-term debt	1,041,733	-
Shareholders' equity:		
Share capital	86,331,400	21,837,906
Contributed surplus	543,854	94,856
Deficit	(21,482,419)	(6,530,213)
	<u>65,392,835</u>	<u>15,402,549</u>
	<u>\$ 71,944,533</u>	<u>\$ 16,218,760</u>

**RAILPOWER TECHNOLOGIES CORP.**  
(Expressed in Canadian dollars)  
Consolidated Statements of Operations and Deficit

	Year ended December 31, 2004	Year ended December 31, 2003  (unaudited)	Three months ended December 31, 2003	Year ended September 30, 2003
Sales	\$ 740,000	\$ -	\$ -	\$ -
Cost of goods sold	730,165	-	-	-
Gross manufacturing margin	9,835	-	-	-
Commissions	(7,709)	-	-	-
Warranty provision	(24,050)	-	-	-
Contribution margin	(21,924)	-	-	-
Other income:				
Lease, service and miscellaneous	48,953	35,160	-	35,160
	27,029	35,160	-	35,160
Expenses (schedules):				
General and administrative	5,170,915	1,824,894	780,240	1,215,792
Research and development and manufacturing	10,171,569	2,221,787	849,869	1,946,581
	15,342,484	4,046,681	1,630,109	3,162,373
	15,315,455	4,011,521	1,630,109	3,127,213
Other item:				
Interest income	363,249	131,557	58,394	96,111
Loss for the period	(14,952,206)	(3,879,964)	(1,571,715)	(3,031,102)
Deficit, beginning of period	(6,530,213)	(2,650,249)	(4,958,498)	(1,927,396)
Deficit, end of period	\$(21,482,419)	\$(6,530,213)	\$ (6,530,213)	\$(4,958,498)
Loss per weighted average share:				
Basic and diluted	\$ (0.51)	\$ (0.23)	\$ (0.08)	\$ (0.20)
Weighted average number of common shares outstanding	29,373,677	16,945,951	20,808,433	15,347,198

**RAILPOWER TECHNOLOGIES CORP.**  
(Expressed in Canadian dollars)  
Consolidated Statements of Cash Flows

	Year ended December 31, 2004	Year ended December 31, 2003	Three months ended December 31, 2003	Year ended September 30, 2003
		(unaudited)		
Cash flows from operating activities:				
Loss for the period	\$ (14,952,206)	\$ (3,879,964)	\$ (1,571,715)	\$ (3,031,102)
Items not involving cash:				
Amortization	229,742	90,312	26,317	76,374
Stock-based compensation	456,018	94,856	77,078	17,778
Changes in non-cash operating assets and liabilities:				
Increase in accounts receivable	(490,439)	(86,347)	(52,203)	(52,766)
(Increase) decrease in prepaid expenses	(161,171)	(38,498)	41,648	(73,526)
Increase in inventory	(8,416,803)	(1,089,107)	(504,425)	(636,498)
Increase in accounts payable and accrued liabilities	4,251,969	691,862	413,130	331,403
Increase in customer deposits	311,568	3,897	3,897	-
Net cash used in operating activities	(18,771,322)	(4,212,989)	(1,566,273)	(3,368,337)
Cash flows from investing activities:				
Expenditures on patents	(90,273)	(57,545)	(30,213)	(32,858)
Expenditures on plant and equipment	(733,156)	(233,554)	(142,406)	(128,206)
Expenditures on demonstration fleet	(2,382,206)	-	-	-
Deferred development costs	(13,545)	-	-	-
Increase in short-term investments	(3,658,122)	(580,000)	(580,000)	-
Net cash used in investing activities	(6,877,302)	(871,099)	(752,619)	(161,064)
Cash flows from financing activities:				
Issuance of long-term debt	1,171,950	-	-	-
Issuance of common stock for cash, net of share issue costs	64,486,474	15,929,947	11,343,105	4,599,342
Net cash provided by financing activities	65,658,424	15,929,947	11,343,105	4,599,342
Net increase in cash	40,009,800	10,845,859	9,024,213	1,069,941
Cash and cash equivalents, beginning of period	13,903,184	3,057,325	4,878,971	3,809,030
Cash and cash equivalents, end of period	\$ 53,912,984	\$ 13,903,184	\$ 13,903,184	\$ 4,878,971
Supplementary information:				
Interest received	\$ 349,794	\$ 124,466	\$ 55,537	\$ 91,877

**RAILPOWER TECHNOLOGIES CORP.**

(Expressed in Canadian dollars)

**Consolidated Schedules of Expenses**

	Year ended December 31, 2004	Year ended December 31, 2003 (unaudited)	Three months ended December 31, 2003	Year ended September 30, 2003
<b>General and administrative:</b>				
Amortization	\$ 31,971	\$ 48,094	\$ 7,275	\$ 47,741
Charitable donations	2,179	10,000	-	10,000
Computer support and internet	90,887	2,771	925	2,837
Consulting	453,360	323,286	204,710	118,576
Corporate (capital) taxes	15,100	-	-	-
Foreign exchange (gain)	(111,380)	(4,173)	(5,964)	3,044
Insurance	294,696	8,574	8,574	-
Investor relations	82,221	52,090	26,120	25,970
Marketing	283,859	48,304	39,216	9,088
Media relations	8,701	30,750	5,250	25,500
Miscellaneous	22,071	15,723	3,735	13,526
Office	439,434	112,432	39,474	83,768
Professional fees	407,865	225,658	89,245	165,503
Recruitment	59,139	15,280	12,150	4,045
Regulatory	230,715	33,732	6,660	42,205
Rent	172,264	47,407	9,744	48,112
Salaries	1,826,663	449,808	168,470	350,414
Software subscription	12,576	2,513	2,513	-
Stock-based compensation	253,898	77,702	62,057	15,645
Training	6,596	-	-	-
Travel	588,100	324,943	100,086	249,818
	<b>\$ 5,170,915</b>	<b>\$ 1,824,894</b>	<b>\$ 780,240</b>	<b>\$ 1,215,792</b>
<b>Research and development and manufacturing:</b>				
Amortization	\$ 197,771	\$ 42,218	\$ 19,042	\$ 28,633
Battery testing	164,594	-	-	-
Brokerage and freight	498,142	-	-	-
Components	151,273	780,079	189,588	996,114
Consulting	2,238,180	312,821	216,723	101,581
Demonstration costs	95,457	30,579	30,579	-
Inventory write-down	607,842	-	-	-
Manufacturing documentation	31,225	9,083	9,083	-
Miscellaneous	69,648	20,134	8,440	30,877
Recruitment	136,787	-	-	-
Re-engineering	2,036,922	-	-	-
Rent	31,327	57,874	19,487	49,536
Research	44,782	-	-	-
Salaries	2,628,792	672,156	231,804	543,492
Shop supplies	44,319	8,006	1,193	6,813
Stock-based compensation	202,120	17,154	15,021	2,133
Training	29,318	-	-	-
Travel	963,070	271,683	108,909	187,402
	<b>\$10,171,569</b>	<b>\$ 2,221,787</b>	<b>\$ 849,869</b>	<b>\$ 1,946,581</b>