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TSX Symbol: P

RAILPOWER REPORTS Q2 2005 RESULTS

VANCOUVER, British Columbia, August 11, 2005 – Railpower Technologies Corp. (TSX: P) today reported its financial results for the second quarter ended June 30, 2005.

The following summarizes the key points for the period (note all dollars Canadian):

- Revenues from all sources were \$4.32 million compared to \$0.3 million revenues in the quarter ended March 31, 2005.
- Loss for the period was \$6.85 million compared to loss of \$5.32 million for the quarter ended March 31, 2005.
- Eight locomotives were produced – four were completed sales, three were in transit, and, therefore, finished goods in inventory at the quarter end, and one was leased.
- An existing pre-production 1,000 horsepower locomotive was sold to Agrium.
- Cash contribution of \$1.78 million received during the quarter in respect of emissions grants for two locomotives owned by RailPower and leased to Union Pacific and BNSF respectively in the last quarter.
- Two significant orders during the quarter; one with Union Pacific for 10 locomotives without emissions funding and one with BNSF for five locomotives where we will receive emissions funding.
- Current order book comprises executed contracts for 79 locomotives with another order for an emissions funded locomotive where the contract is being finalized.
- Over 50% of the order book now comprises non-emissions funded locomotives.
- Cash and cash equivalents of \$43.6 million as at June 30, 2005 compared to \$51.3 million at March 31, 2005.
- Expenses of \$5.87 million compared to \$5.66 million for the quarter ended March 31, 2005.
- Loss per weighted average share of 16 cents compared to 13 cents in the previous quarter.
- Weighted average number of shares 42.67 million compared to 42.44 million shares in the quarter ended March 31, 2005.

“Production of locomotives doubled over the first quarter,” said Jim Maier, President and CEO, “and, despite the longer than anticipated learning curve associated with our move into production earlier this year, we are now starting to ramp up production and to improve efficiencies.

“During the quarter, the cost to produce our locomotives still remained over our selling price. However, we are starting to see the benefits of lower assembly hours, the move into volume production, the simplification of our designs and the widening of our supplier base.

“This gives us confidence in our ability to reach our target gross margins on locomotive sales during the latter part of 2006,” stated Maier.

Maier said that a fourth production site at Super Steel in Schenectady, New York, would come into the production cycle in early 2006.

“We became significantly involved with Super Steel in this quarter, contracting them to build the first two demonstrator road switchers and negotiating agreements for ongoing locomotive production. In mid-July these were signed. This will allow us considerable flexibility for future production in 2006 and beyond.

“Our loss of \$6.85 million reflects the loss made on our initial commercial sales, which is typical for a manufacturing company in its early years, with 3 new product lines going to market in short time frames. The increased activity around our pending new product, the road switcher, additional hires for this project and additional field maintenance and support staffs, additionally contribute to the loss for the quarter.

“The road switcher is a derivative product from our standardized hybrid product line and, as such, will help us to generate additional efficiencies in the assembly process going forward. We are very excited about the potential size of the market for our new road switcher product and the interest expressed in this new locomotive by our customers is a very positive sign,” concluded Maier.

RailPower (TSX: P; www.railpower.com), is headquartered in Vancouver, BC. Its subsidiary company, RailPower Hybrid Technologies Corp., is located in Erie, Pennsylvania.

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RAILPOWER TECHNOLOGIES CORP.

Consolidated Balance Sheets
(Expressed in Canadian dollars)
Unaudited

	June 30, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,514,327	\$ 53,912,984
Restricted cash	4,129,541	4,238,122
Accounts receivable	3,079,762	622,805
Inventory	11,177,932	9,557,726
Prepaid expenses	1,562,985	212,256
	<u>59,464,547</u>	<u>68,543,893</u>
Plant and equipment	865,483	795,843
Lease and demonstration fleet	5,476,511	2,374,072
Patents	335,520	217,180
Deferred development costs	499,939	13,545
	<u>\$ 66,642,000</u>	<u>\$ 71,944,533</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,768,468	\$ 5,064,283
Customer deposits	93,866	315,465
Current portion of long-term debt	398,255	130,217
	<u>7,260,589</u>	<u>5,509,965</u>
Long-term debt	3,053,288	1,041,733
Government Grants	1,752,043	-
Shareholders' equity:		
Share capital	87,227,883	86,331,400
Contributed surplus	1,008,030	543,854
Deficit	(33,659,833)	(21,482,419)
	<u>54,576,080</u>	<u>65,392,835</u>
	<u>\$ 66,642,000</u>	<u>\$ 71,944,533</u>

RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Operations and Deficit

(Expressed in Canadian dollars)

Unaudited

	3 Months Ended June 30		6 Months Ended June 30	
	2005	2004	2005	2004
Sales	\$ 4,010,733	\$ -	\$ 4,010,733	\$ -
Cost of goods sold	(5,136,262)	-	(5,136,262)	-
Gross manufacturing margin	(1,125,529)	-	(1,125,529)	-
Commissions	(41,898)	-	(43,241)	-
Warranty provision	(120,322)	-	(120,322)	-
Contribution margin	(1,287,749)	-	(1,289,092)	-
Other income:				
Lease, service and miscellaneous	18,009	6,083	35,603	25,827
	(1,269,740)	6,083	(1,253,489)	25,827
Expenses				
General and administrative	1,928,039	1,409,453	3,931,810	2,804,092
Engineering, research & development	2,074,672	1,187,085	4,607,316	2,095,253
Manufacturing & service	1,869,031	247,581	2,993,911	286,461
	5,871,742	2,844,119	11,533,037	5,185,806
	(7,141,482)	(2,838,036)	(12,786,526)	(5,159,979)
Other item:				
Interest income	288,520	47,352	609,112	126,048
Loss for the period	(6,852,962)	(2,790,684)	(12,177,414)	(5,033,931)
Deficit, beginning of period	(26,806,871)	(8,773,460)	(21,482,419)	(6,530,213)
Deficit, end of period	\$ (33,659,833)	\$ (11,564,144)	\$ (33,659,833)	\$ (11,564,144)
Net loss per weighted average share, basic	\$ (0.16)	\$ (0.11)	\$ (0.29)	\$ (0.20)
Weighted average number of common shares outstanding, basic	42,670,504	25,696,519	42,557,270	25,337,021

RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Unaudited

	3 Months Ended June 30		6 Months Ended June 30	
	2005	2004	2005	2004
Cash flows from operating activities:				
Loss for the period	\$ (6,852,962)	\$ (2,790,684)	\$ (12,177,414)	\$ (5,033,931)
Items not involving cash:				
Amortization	121,319	47,487	231,355	79,412
Stock-based compensation	336,998	86,721	542,933	140,167
Changes in non-cash operating assets and liabilities:				
Increase in accounts receivable	(2,359,225)	(204,362)	(2,456,957)	(214,916)
Increase in prepaid expenses	(401,046)	(108,708)	(1,350,729)	(354,384)
Increase in inventory	(2,364,214)	(2,655,355)	(1,620,206)	(3,592,296)
Increase in accounts payable and accrued liabilities	2,036,188	1,444,544	1,704,185	1,521,634
Increase (decrease) in customer deposits	(223,594)	185,000	(221,599)	185,000
Net cash used in operating activities	(9,706,536)	(3,995,357)	(15,348,432)	(7,269,314)
Cash flows from investing activities:				
Expenditures on patents	(59,892)	(20,427)	(124,265)	(27,742)
Expenditures on plant and equipment	(168,322)	(175,136)	(205,702)	(282,705)
Lease and demonstration locomotive sold	616,727	-	616,727	-
Investment in lease and demonstration fleet	(21,865)	-	(3,823,065)	-
Increase in deferred development costs	(476,850)	-	(486,394)	-
Increase in leasehold improvements	-	(8,173)	(8,924)	(8,399)
Increase in short-term investments	-	(7,040,500)	-	(7,040,500)
Increase in restricted cash	109,539	-	108,581	-
Net cash used in investing activities	(663)	(7,244,236)	(3,923,042)	(7,359,346)
Cash flows from financing activities:				
Issuance of long-term debt	-	-	2,358,720	-
Repayment of long-term debt	(53,777)	-	(79,127)	-
Issuance of common stock for cash, net of share issue costs	381,517	18,874,706	817,726	18,938,236
Decrease (increase) in deferred charges	-	27,356	-	(81,844)
Increase in government grants	1,775,498	-	1,775,498	-
Net cash provided by financing activities	2,103,238	18,902,062	4,872,817	18,856,392
Net increase (decrease) in cash	(7,603,961)	7,662,469	(14,398,657)	4,227,732
Cash and cash equivalents, beginning of period	47,118,288	10,468,447	53,912,984	13,903,184
Cash and cash equivalents, end of period	\$ 39,514,327	\$ 18,130,916	\$ 39,514,327	\$ 18,130,916