

FOR IMMEDIATE RELEASE

TSX Symbol: P

RAILPOWER REPORTS 2005 RESULTS

VANCOUVER, British Columbia, March 16, 2006 – Railpower Technologies Corp. (TSX: P) today reported its financial results for the year ended December 31, 2005.

The following summarizes the key points for the year, updated to March 16, 2006 (note - all dollars Canadian):

- Revenues from all sources were \$21.54 million compared to \$1.15 million revenues in the year ended December 31, 2004.
- Losses for the year were \$59.91 million compared to a loss of \$14.95 million for the year ended December 31, 2004.
- Provisions announced January 31st for development costs of third generation of model GG20B yard switcher, additional warranty costs and expected losses on initial contracts confirmed at \$27.8 million, of which \$27.5 million is included in contribution margin for the year.
- The equipment inspection program announced on January 20, 2006 is well underway and expected to be completed early in second quarter at an anticipated cost of less than \$800,000. The results of the inspection have been positive and corrective actions are expected to be completed within this cost.
- Thirty-two locomotives were produced in the year– twenty-three were completed sales and three were in transit, and, therefore, finished goods in inventory at the year end. Two locomotives went to a lease transaction between Railpower and the lessee, three into demonstration service and one was subject to a conditional sales contract at year end. One locomotive completed in 2004 was sold in 2005.
- Fourth quarter production was 14 locomotives, yielding sales of \$10 million and a gross manufacturing margin of (\$2.0 million).
- At the date of this release, our order book comprises executed contracts for 160 locomotives with orders for a further three locomotives where contracts are being finalized.
- We had cash and cash equivalents totaling \$76.8 million as of December 31, 2005 compared to \$53.9 million at December 31, 2004. Cash was used for operations, working capital items and for the demonstration fleet. Additional cash was raised through the issue of share capital during 2005.
- Operating expenses rose \$12 million to \$26.3 million. Of this, manufacturing and service rose \$5.8 million to \$8.8 million, representing a full year of production and the service increase due to the much larger number of our locomotives in service in 2005 compared with 2004.

“During 2005, our production of hybrid yard locomotives increased. Although we have seen some quality issues with certain components and assembly practices, overall we are very encouraged by the performance of the GG20B model in the field,” said José Mathieu, President and CEO.

“Production during the year did not ramp up as quickly as we planned. Production delays in the latter part of the year occurred because development of the third generation of the GG20B model hybrid yard switcher took longer than expected due to resource constraints. We have increased staff and are working hard to get production flowing on a consistent basis. The third generation GG20B is about to be put into service with Canadian Pacific Railway. The design changes and development in the second half of 2005 impacted our locomotive deliveries and led to higher than anticipated production and engineering costs in the year. However, they have positioned us for significant improvements as we look to ramp up production and drive to reach target margins.

“We are focusing our development efforts now on our two road switcher designs, the RP20BD and the RP20BH. Production of our first demonstrator models of each of these locomotives is progressing at the Super Steel facility in Schenectady, NY. These demonstrators will be completed in the second quarter, with production of 98 RP Series locomotives for Union Pacific beginning thereafter. Our longest production run to date, with the 98 locomotives for Union Pacific, presents us with the opportunity to gain efficiencies from economies of scale – something that we’re pursuing vigorously.

“We are looking ahead to the latter quarters of 2006 with confidence and excitement. We are installing the processes and manufacturing discipline that we believe will result in positive margins in future quarters. Development work has continued in the first quarter of 2006. As such, we do not expect this quarter to be representative of the production and cost levels that we are planning for later in the year.” concluded Mathieu.

The consolidated financial statements and the company’s Management’s Discussion and Analysis (‘MD&A’) as at December 31, 2005, 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) shortly.

Conference Call and Webcast:

José Mathieu, President and CEO of Railpower, will host a conference call on March 17th at 9:00 am (EST) to review the financial results. You can join the call by dialing 1-800-814-4857. All interested parties are invited to participate. A live audio webcast of the call will be available at www.railpower.com or www.newswire.ca. A taped replay of the conference call will also be available until Friday, March 24, 2006 by calling 1-877-289-8525 reference number 21179178#.

About Railpower:

Railpower (TSX: P), (www.railpower.com) a leader in specialized energy technology systems for the transportation industry and derivative markets, is headquartered in North Vancouver, BC. Its US office is in Erie, Pennsylvania.

Caution regarding 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” and similar expressions may be used to identify forward-looking statements. Those statements reflect our current views with respect to future events or conditions, including prospective results of operations, financial position, predictions of future actions, plans or strategies. Certain material factors and assumptions were applied in drawing our conclusions and making those forward looking statements. By their nature, those statements reflect management’s current views, beliefs and assumptions and are subject to certain risks and uncertainties, known and unknown, including, without limitation, product development or manufacturing delays, changing environmental regulations, the ability to attract and retain business partners, the acceptance of our existing and new products, future levels of government funding, the need to obtain and maintain proprietary rights over our technology, competition from other technologies, the ability to access the capital required for research, product development, operations and marketing, the need to generate positive cash flow in the foreseeable future, changes in energy prices and currency levels. 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 whether as a result of new information, plans, events or otherwise.

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RAILPOWER TECHNOLOGIES CORP.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	December 31, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,829,474	\$ 53,912,984
Restricted cash	4,713,189	4,238,122
Accounts receivable	6,813,838	622,805
Inventory	13,318,517	9,557,726
Prepaid expenses	595,317	212,256
	<u>102,270,335</u>	<u>68,543,893</u>
Plant and equipment	1,229,914	795,843
Lease and demonstration fleet	5,350,173	2,374,072
Patents	365,760	217,180
Deferred development costs	805,984	13,545
	<u>\$ 110,022,166</u>	<u>\$ 71,944,533</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,179,140	\$ 5,040,233
Customer deposits	-	315,465
Current portion of long-term debt	3,086,796	130,217
Current portion of warranties	318,563	24,050
Current portion of contract losses provision	10,988,707	-
	<u>25,573,206</u>	<u>5,509,965</u>
Long-term debt	-	1,041,733
Warranties	4,783,955	-
Provision for contract losses	12,029,664	-
Government Grants	1,711,691	-
Shareholders' equity:		
Share capital	145,454,777	86,331,400
Contributed surplus	1,862,772	543,854
Deficit	(81,393,899)	(21,482,419)
	<u>65,923,650</u>	<u>65,392,835</u>
	<u>\$ 110,022,166</u>	<u>\$ 71,944,533</u>

RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Operations and Deficit

	Year Ended December 31	
	2005	2004
Sales	\$ 20,177,261	\$ 740,000
Cost of goods sold	(25,150,166)	(730,165)
Gross manufacturing margin	(4,972,905)	9,835
Provision for future contract losses	(23,018,371)	
Selling expenses	(1,610,687)	(1,122,880)
Warranty provision	(5,103,117)	(24,050)
Contribution margin	(34,705,080)	(1,137,095)
Other income:		
Lease, service and miscellaneous	89,710	48,953
	(34,615,370)	(1,088,142)
Expenses		
General and administrative	(7,904,224)	(5,314,972)
Engineering and research & development	(9,081,278)	(5,758,881)
Manufacturing & service	(8,832,688)	(3,035,098)
Depreciation & amortization	(500,999)	(229,742)
	(26,319,189)	(14,338,693)
	(60,934,559)	(15,426,835)
Other items:		
Interest income	1,267,567	363,249
Foreign exchange (loss)/gain	(39,024)	111,380
Interest expense	(205,464)	-
Loss for the year	(59,911,480)	(14,952,206)
Deficit, beginning of year	(21,482,419)	(6,530,213)
Deficit, end of year	\$ (81,393,899)	\$ (21,482,419)
Net loss per weighted average share, basic	\$ (1.36)	\$ (0.51)
Weighted average number of common shares outstanding, basic	44,191,631	29,373,677

RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31	
	2005	2004
Cash flows from operating activities:		
Loss for the year	\$ (59,911,480)	\$ (14,952,206)
Items not involving cash:		
Depreciation & amortization	500,999	229,742
Stock-based compensation	1,545,438	456,018
Gain on sale of fixed assets	(37,214)	-
Changes in non-cash operating assets and liabilities:		
Increase in accounts receivable	(5,659,628)	(490,439)
Increase in prepaid expenses	(383,061)	(161,171)
Increase in inventory	(4,292,196)	(8,416,803)
Increase in accounts payable and accrued liabilities	6,138,907	4,227,919
Increase (decrease) in customer deposits	(315,465)	311,568
Increase in warranties	5,078,468	24,050
Increase in contract losses provision	23,018,371	-
Net cash used in operating activities	(34,316,861)	(18,771,322)
Cash flows from investing activities:		
Expenditures on patents	(159,305)	(90,273)
Expenditures on plant and equipment	(674,524)	(733,156)
Investment in lease and demonstration fleet	(3,918,876)	(2,382,206)
Proceeds on sale of fixed assets	666,361	-
Increase in deferred development costs	(792,439)	(13,545)
Increase in restricted cash	(475,067)	(3,658,122)
Net cash used in investing activities	(5,353,850)	(6,877,302)
Cash flows from financing activities:		
Issuance of long-term debt	2,358,720	1,171,950
Repayment of long-term debt	(443,874)	-
Issuance of common stock for cash, net of share issue costs	58,896,857	64,486,474
Increase in government grants	1,775,498	-
Net cash provided by financing activities	62,587,201	65,658,424
Net increase in cash	22,916,490	40,009,800
Cash and cash equivalents, beginning of period	53,912,984	13,903,184
Cash and cash equivalents, end of period	\$ 76,829,474	\$ 53,912,984