

FOR IMMEDIATE RELEASE

TSX Symbol: P

RAILPOWER REPORTS FISCAL Q1 2006 FINANCIAL RESULTS

VANCOUVER, British Columbia, May 4, 2006 – Railpower Technologies Corp. (TSX: P), a leader in specialized energy technology systems for the transportation industry, today reported its financial results for the three month period ended March 31, 2006.

The following is a summary of key points for the period, updated to May 4, 2006 (note - all dollars Canadian):

- Sales revenue and other income were \$3.0 million compared to \$0.3 million for the quarter ended March 31, 2005:
- Expenses of \$8.9 million compared to \$5.3 million for the quarter ended March 31, 2005:
- Net loss of \$8.7 million compared to net loss of \$5.3 million for the quarter ended March 31, 2005:
- Three locomotives were sold in the quarter and one locomotive produced in 2005 remains subject to a conditional sales contract:
- While only one locomotive was produced this quarter, significant progress was made in ramping up production to meet our targets for 2006. At the end of the quarter, we had 52 locomotives in various stages of production:
- At the end of the quarter we had firm orders for 162 locomotives compared to an order book of 80 at end of first quarter 2005. Our order book at May 4, 2006 remains unchanged from the end of the quarter:
- The provision for contract losses and warranties of \$28.1 million related to our GG-series hybrid yard switcher locomotives decreased by \$2.7 million to \$25.4 million as of March 31, 2006:
- The equipment inspection program announced on January 20, 2006 relating to possible defective components related to the battery system in a number of GG20B model hybrid locomotives is nearing completion. The inspection is expected to conclude in the second quarter for a total estimated cost of \$0.8 million as planned:
- We completed the designs for our RP-series road switcher demonstration units and received EPA Part 92 Tier 2 locomotive emissions certification for both the RP20BD and RP20BH road switchers. The road switcher demonstration units are scheduled to be completed in the second quarter with customer demonstrations beginning shortly thereafter:
- Cash and cash equivalents totaled \$60.9 million at March 31, 2006, a decrease of \$15.9 million from December 31, 2005.

“During the quarter we were focused on recruiting/training our staff as well as implementing the processes and systems required for volume production. Our plans to

achieve our previously committed targets are progressing as scheduled,” said José Mathieu, President and CEO of Railpower.

“Delays in the design of the third generation of the GG20B model hybrid yard switcher caused production delays. However, the design is now complete and the Generation III GG20B was put into service with Canadian Pacific Railway this quarter. Production of the Generation III GG20B is underway.

The designs for our production road switcher are nearing completion. We expect the design to be completed in the second quarter. The first phases of production for the 98 RP-series locomotives for Union Pacific have already commenced.

Preparing our organization for our large production runs was a necessary step to achieving our targets for the year. While these changes impacted our deliveries in the first quarter, we are on track to meet our delivery targets. We are targeting 10 to 15 deliveries in the second quarter, with deliveries ramping up in the third and fourth quarters,” concluded Mathieu.

The interim consolidated financial statements and the company’s Management’s Discussion and Analysis (‘MD&A’) as at March 31, 2006, were prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars, except where indicated otherwise. The full financial 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 May 5th at 9:00 am (EST) to review the financial results. 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, May 12, 2006 by calling 1-877-289-8525 reference number 21186275#.

About Railpower:

Railpower (TSX: P), (www.railpower.com) is a leader in specialized energy technology systems for the transportation industry. Its origins and initial focus are in the development, construction, marketing and sales of specialized energy technology systems for railroad applications. Our technologies significantly reduce fuel usage, operating and maintenance costs, and emissions. While Railpower’s origins are in the transportation industry, its technologies have broad potential and applications in other markets and industries. Railpower 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.

Contacts:

Gary Eelman

Executive Vice President
Tel: 814-835-2212 ext.372
Toll Free: 1-877-444-2212
Email: geelman@railpower.com

Donna Cejalvo

Manager, Communications
Tel: 814-835-2212 ext.203
Toll Free: 1-877-444-2212
Email: dcejhalvo@railpower.com

Lorraine Potvin

Chief Financial Officer
Tel: 814-835-2212 ext.380
Toll Free: 1-877-444-2212
Email: lpotvin@railpower.com

RAILPOWER TECHNOLOGIES CORP.

Consolidated Balance Sheets
(Expressed in Canadian dollars)
(Unaudited)

	March 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 60,945,169	\$ 76,829,474
Restricted cash	4,329,189	4,713,189
Accounts receivable	1,644,384	6,282,433
Inventory	24,087,854	13,849,922
Prepaid expenses	433,598	595,317
	<u>91,440,194</u>	<u>102,270,335</u>
Plant and equipment	1,432,743	1,229,914
Lease and demonstration fleet	6,002,304	5,350,173
Patents	363,360	365,760
Deferred development costs	888,065	805,984
	<u>\$ 100,126,666</u>	<u>\$ 110,022,166</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,727,092	\$ 11,179,140
Current portion of long-term debt	3,005,167	3,086,796
Current portion of warranty provision	416,846	318,563
Current portion of contract losses provision	11,729,390	10,988,707
	<u>26,878,495</u>	<u>25,573,206</u>
Warranty provision	3,678,410	4,783,955
Provision for contract losses	9,730,049	12,029,664
Government Grants	1,903,515	1,711,691
Shareholders' equity:		
Share capital	145,511,265	145,454,777
Contributed surplus	2,491,784	1,862,772
Deficit	(90,066,852)	(81,393,899)
	<u>57,936,197</u>	<u>65,923,650</u>
	<u>\$ 100,126,666</u>	<u>\$ 110,022,166</u>

RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)
(Unaudited)

	3 Months Ended March 31	
	2006	2005
Sales	\$ 2,259,390	\$ -
Cost of goods sold	(2,392,381)	-
Gross margin on locomotives sold during the period	(132,991)	-
Provision for future contract losses	(871,152)	-
Direct selling expenses	(466,756)	(308,956)
Warranties recovery (expense)	1,011,206	-
Contribution margin	(459,693)	(308,956)
Other income:		
Lease, service and miscellaneous	87,670	17,594
	(372,023)	(291,362)
Expenses:		
General and administrative	(2,326,859)	(1,534,092)
Engineering and research & development	(2,649,031)	(2,503,383)
Manufacturing & service	(3,822,059)	(1,124,880)
Depreciation & amortization	(137,791)	(110,036)
	(8,935,740)	(5,272,391)
	(9,307,763)	(5,563,753)
Other items:		
Interest income	656,193	320,592
Foreign exchange gain (loss)	41,519	(64,509)
Interest expense	(62,902)	(16,782)
Loss for the period	(8,672,953)	(5,324,452)
Deficit, beginning of period	(81,393,899)	(21,482,419)
Deficit, end of period	\$ (90,066,852)	\$ (26,806,871)
Net loss per weighted average share	\$ (0.16)	\$ (0.13)
Weighted average number of common shares outstanding	54,709,810	42,442,778

RAILPOWER TECHNOLOGIES CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	3 months ended March 31	
	2006	2005
Cash flows from operating activities:		
Loss for the period	\$ (8,672,953)	\$ (5,324,452)
Items not involving cash:		
Depreciation & amortization	137,791	110,035
Stock-based compensation	641,913	205,936
Changes in non-cash operating assets and liabilities:		
Decrease (increase) in accounts receivable	4,638,049	(97,732)
Decrease (Increase) in prepaid expenses	161,719	(949,683)
(Increase) decrease in inventory	(10,237,932)	744,008
Increase (decrease) in accounts payable and accrued liabilities	547,952	(332,003)
Increase (decrease) in customer deposits	-	1,995
Decrease in warranty provision	(1,007,262)	-
Decrease in provision for contract losses	(1,558,932)	-
Net cash used in operating activities	(15,349,655)	(5,641,896)
Cash flows from investing activities:		
Expenditures on patents	-	(64,373)
Expenditures on plant and equipment	(304,494)	(46,304)
Investment in lease and demonstration fleet	(706,033)	(3,801,200)
Increase in deferred development costs	(82,081)	(9,544)
Decrease (increase) in restricted cash	384,000	(958)
Net cash used in investing activities	(708,608)	(3,922,379)
Cash flows from financing activities:		
Issuance of long-term debt	-	2,358,720
Repayment of long-term debt	(81,629)	(25,350)
Issuance of common stock for cash, net of share issue costs	43,587	436,209
Increase in government grants	212,000	-
Net cash provided by financing activities	173,958	2,769,579
Net decrease in cash	(15,884,305)	(6,794,696)
Cash and cash equivalents, beginning of period	76,829,474	53,912,984
Cash and cash equivalents, end of period	\$ 60,945,169	\$ 47,118,288