

**NEWS RELEASE**

**TSX Symbol: P**

## **Railpower Provides Update on Business Outlook**

**– Company to host conference call today at 9:00 a.m. (EST) –**

**MONTREAL, Quebec, July 6, 2006** – Railpower Technologies Corp. (TSX: P), a leader in specialized energy technology systems for the transportation industry and derivative markets, today announced, based on a recently completed re-assessment of current manufacturing and procurement activities by the Company's new senior management team, combined with a customer requested delay in the delivery of 10 units to 2007, that it does not expect to meet its unit production target of 90 to 100 locomotives for 2006 and its gross margin target of 30% by the end of the fourth quarter. The Company has reviewed its production capabilities and has revised its unit production target to between 50 and 65 units for 2006.

"We have revised our production schedule in order to finalize design details and subsequent procurement of components. This will also allow us additional time for quality assurance and the testing of locomotives before delivery. In the short term, this will result in added pressure on our margins," said José Mathieu, President and CEO of Railpower Technologies Corp. "We made significant progress in ramping up production for the second quarter 2006, and have met our production target of 10 to 15 units for the period with 13 units completed. However we will not produce enough units in the third and fourth quarters to meet our previous target of 90 to 100 units for 2006."

Railpower expects increased expenditures in the third and fourth quarters of 2006 as a result of increased inventory purchases necessary to increase production. Fixed costs will also temporarily increase as design and procurement activities accelerate to meet production demands. The Company is comfortable with its projected cash position but is also in the process of evaluating certain financing alternatives in support of its business plan.

"Since my appointment as President and CEO, I have been focused on strengthening our senior management team in operations and finance. With key people now in place, we have reviewed our operations and are now implementing necessary measures to ensure that Railpower is well positioned to complete its transition from a development stage enterprise into a successful commercial entity," concluded Mr. Mathieu.

### **Notice of Conference Call and Webcast:**

Management of Railpower will host a conference call today (July 6) at 9:00 a.m. (EST). The dial-in numbers for the call are 416-644-3418 or 1-800-814-4859. A replay of the conference call will be available by telephone approximately one hour following the conclusion of the call. To access the replay, dial 416-640-1917 or 1-877-289-8525 (passcode: 21194978#). The conference call will also be audio-cast live and archived for 90 days at [www.railpower.com](http://www.railpower.com) and [www.newswire.ca](http://www.newswire.ca).

**About Railpower:**

Railpower (TSX: P), ([www.railpower.com](http://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 Montreal, Quebec. 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](mailto:geelman@railpower.com)

**Donna Cejalvo**

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