

TSX: P

RAILPOWER ANNOUNCES SETTLEMENT OF CONTRACT WITH A CUSTOMER

MONTREAL, Quebec, December 5, 2006 – Railpower Technologies Corp. (TSX: P) (“Railpower”), a leader in specialized energy technology systems for the transportation industry, today announced that it has reached an agreement with a customer to terminate the contract for the procurement of 35 yard Green Goat locomotives. This contract represented the majority of the provision for contract losses of approximately \$21 million shown on the balance sheet as at September 30, 2006. The performance of this contract was suspended in the third quarter of 2006, pending negotiations with the customer.

The settlement will have a significant positive impact on the Company’s balance sheet as the provision for contract losses is expected to decrease by \$18.7 Million in the fourth quarter of 2006.

“We are pleased to have reached an amicable resolution with this customer and we are confident in our ability to enter into new contracts on normal commercial terms with this and other customers. This settlement will allow us to focus on expanding sales of and delivering our RP-series road switcher locomotives,” said José Mathieu, President and CEO of Railpower. “We believe that this customer and many others throughout North America will embrace the significant fuel savings and environmental benefits offered by this state of the art technology.”

Pursuant to the settlement agreement, the Company will pay an amount of approximately \$1.1 million against full release and discharge of its obligations related to the contract. The Customer will return the three Green Goat locomotives that had been previously delivered and the Company will make them available for sale. These locomotives are the latest generation model and are ideal for lighter duty cycle use, particularly by industrial customers. The Company does not anticipate any difficulty in reselling them to such customers within a short period of time and at an acceptable price.

A key element of Railpower’s growth strategy is to increase the market penetration of RP-Series road switchers. These locomotives can provide fuel savings of up to 35 percent and reduce NOx (Nitrogen Oxides) and other particulate emissions by approximately 80 percent. The Company’s order backlog currently stands at 113 units, of which 105 are RP-series locomotives.

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, production, 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 U.S. office is located 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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