

Press Release

15 August 2008

Turbo Power Systems Inc
(“Turbo Power Systems” or “TPS” or “Company”)

Amendment of Loan Note and Related Party Transaction

On the 19th June 2008, TPS and its wholly owned subsidiary Turbo Power Systems Limited (“TPSL”) (“Group”) entered into a £3 million fundraising through the issue of secured loan notes (“Loan Notes”) to institutional and other investors. The purpose of the fundraising was to provide funds for general working capital purposes, to add additional strength to the Company’s balance sheet and to assist the Company in the financing of new and existing product developments.

Of the £3 million Loan Notes, £1.5 million was immediately drawn down on the 19th June 2008 and the Group has recently submitted a further drawdown notice for the remaining £1.5 million to the Loan Note holders. Further investment by the Loan Note holders is subject, *inter-alia*, to no material adverse change in the financial position or prospects of the Group or their businesses since the date the initial Loan Notes were issued.

In the opinion of the majority of the Loan Note holders, the Company’s results for the second quarter ending 30th June 2008, reflect a material adverse change. Accordingly, the Loan Note holders have agreed to invest the further £1.5 million only upon certain amendments being made to the terms of the existing Loan Notes and all Loan Notes to be issued in the future, as detailed below.

Having reviewed the financial position of the Company, the Directors are of the opinion that they require the additional £1.5 million in order to meet short term cash requirements and continue trading. Having considered other alternatives within the very limited time available, the Directors have agreed to accept these amendments to the Loan Notes. The amended terms of the Loan Notes include the deferral of interest and capital payments, thereby reducing the future cash outflow for the Company and maximizing the amount available to support the development of the business. The Directors believe that with the benefit of the additional £1.5m and the deferral of interest and capital payments, the Company has sufficient cash resources to enable the business to achieve profitability and positive cashflow.

Accordingly, it is now proposed that the remaining £1.5 million is drawn down by the Group through the original facilities but that the terms of the Loan Notes issued on 19th June 2008 and all future Loan Notes to be issued are amended as follows:

Key terms of the Loan Note

- a) Monthly interest payments will be rolled up and repaid either in accordance with (d) below or in any event by 30th June 2011;
- b) Capital repayments, which were scheduled to commence 9 months after the initial drawdown of the Loan Notes, will be deferred and repaid either in accordance with (d) below or in any event by 30th June 2011;
- c) During any period in which the unrestricted cash balance of TPS falls below £750,000, the Loan Notes are repayable on demand at the request of the Loan Note holders;
- d) During any period in which the unrestricted cash balance of TPS exceeds £4 million, the Loan Note holders may request repayment of the portion of the outstanding interest or loan balance which equates to the amount of the unrestricted cash above £4 million, provided that such repayments be for not less than £450,000;
- e) If TPS files for administration, the Loan Note holders will be entitled to receive their total outstanding investment including rolled up interest plus a premium of 100% on that amount; and
- f) At any time (including once the Loan Notes have been fully repaid), if there is a transaction involving a change of control of TPS, or its subsidiaries or substantially all of its assets, the Loan Note holders will be entitled to receive any outstanding balance of the Loan Notes together with any rolled up interest plus a risk premium. The risk premium will be based on the value ascribed

to the Company under the transaction before deducting any balance of the Loan Notes and/or interest outstanding (the "Transaction Value"). The total amounts payable to the Loan Note holders in the event will be calculated as the aggregate of the following amounts:

- (i) the outstanding balance of the Loan Notes together with all rolled up interest;
- (ii) 100% of the remaining Transaction Value after deducting the amounts set out in (i) above, up to a maximum of £1.5m;
- (iii) 75% of the next £6m of Transaction Value; and
- (iv) 50% of any further Transaction Value.

These terms have been verbally agreed by the Loan Note holders but are subject to legal documentation.

The Loan Note is also subject to shareholder approval at a special shareholders meeting, which is scheduled to occur on the 15th August 2008 at 10:30am Mountain Standard Time at 301-1301, 8th Street SW Calgary, Alberta Canada. In light of the above proposed amendments to the Loan Note, shareholders, up until the termination of the special shareholders meeting, shall be entitled to either withdraw or change their proxy or to attend the meeting to voice their objection and provide specific suggestions as to how to accomplish their desires.

Related Party Transaction

Impax Asset Management Limited ("Impax"), acting on behalf of funds under its management, which currently hold 14.35% of the issued share capital of the Company, is a related party for the purposes of the AIM rules. The amendment of the Loan Notes issued to the Impax funds constitutes a related party transaction for the purpose of the AIM rules for companies ("AIM Rules"). Impax is considered to be an insider pursuant to Canadian securities law.

Gartmore Investment Limited ("Gartmore"), acting on behalf of funds under its management, which currently hold 11.85% of the issued share capital of the Company, is a related party for the purposes of the AIM rules. The amendment of the Loan Notes issued to the Gartmore funds constitutes a related party transaction for the purpose of the AIM Rules. Gartmore is considered to be an insider pursuant to Canadian securities law.

The Company's directors consider, having consulted with KBC Peel Hunt Ltd, the Company's nominated adviser, that the terms of the transactions being entered into by Turbo Power Systems with Impax and Gartmore are fair and reasonable insofar as its shareholders are concerned. In forming their opinion the Directors have taken into account that they have not been able to obtain any other sources of funding within the time available and that without this additional funding, the Company would be unable to continue trading in which case equity holders would be unlikely to receive any value. The Directors recognize that the amendment to the Loan Notes reduces value to existing shareholders on a change of control but consider that accepting them will maintain the Company as a going concern and retains some value for existing shareholders.

For further information please contact:

Turbo Power Systems
Graham Thornton
Richard Bayliss

Tel: +44 (0)20 8564 4460

Gavin Anderson & Company (PR)
Ken Cronin
Michael Turner

Tel: +44 (0) 207 554 1400

KBC Peel Hunt Ltd
Oliver Scott
Nicholas Marren

Tel: +44 (0) 207 418 8900

Company Website: www.turbopowersystems.com

About Turbo Power Systems

Turbo Power Systems Inc (TSX:TPS; AIM:TPLS.L) is a leading UK based designer and manufacturer of innovative power solutions. The Group's products are all based on its core technologies of power electronics and high speed motors and generators and are sold into a number of market sectors including aerospace, rail, and various industrial sectors. The Company's products provide improved efficiency and reduced energy consumption compared to existing technologies.

Turbo Power System's existing customers include bluechip companies such as Hamilton Sundstrand, Bombardier, The National Rail Equipment Company, Eaton Aerospace and Lotus.

Except as otherwise permitted from the dealer registration and prospectus filing requirements of applicable Canadian securities laws, prior to the date that is four months and one day from the closing of the placing, the common shares of TPI issuable upon conversion of the Loan Notes or exercise of the warrants cannot be resold or transferred into Canada or to a resident of Canada through the facilities of the TSX or otherwise.

This communication to Shareholders and the public contains certain forward-looking statements. Actual results may differ from those indicated by such statements. All statements, other than statements of historical fact, included herein, are forward-looking statements that involve risks and uncertainties. There can be no assurance such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.