



**NOTICE OF ANNUAL GENERAL MEETING  
OF SHAREHOLDERS  
AND  
MANAGEMENT PROXY AND INFORMATION CIRCULAR  
OF  
TURBO POWER SYSTEMS INC.**

**This Management Proxy and Information Circular is furnished in connection with the solicitation of proxies by Management of Turbo Power Systems Inc. (the “Company”) to be voted at the Annual General Meeting of the shareholders of the Company to be held at 10:00 A.M. (London, England time) on Thursday, June 7, 2007 at the offices of KBC Peel Hunt Ltd., 111 Old Broad Street, London, EC2N 1PH.**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on shares or other securities and who is, in the case of UK shareholders, authorized under the *United Kingdom Financial Services and Markets Act 2000*.

**Additional copies of this Management Proxy and Information Circular shall be available, during normal business hours, on or before Thursday, June 7, 2007 at the Company’s offices (in the United Kingdom: at Unit 3, Heathrow Summit Centre, Skyport Drive, Hatch Lane, West Drayton, Middlesex, UK, TW4 6JW; and in Canada at: 888, 900-6th Avenue SW Calgary Alberta T2P 3K2), as well as at KBC Peel Hunt Ltd., the Company’s UK Financial Advisor and Joint Stockbroker, at: 111 Old Broad Street, London, EC2N 1PH.**

**If you have sold or otherwise transferred all of your Common Shares in the Company, please forward this document together with the accompanying Instruments of Proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale of transfer was effected, for transmission to the purchaser or transferee.**

**Dated: May 5, 2007**

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**TURBO POWER SYSTEMS INC.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**THURSDAY, JUNE 7, 2007**

**TO THE SHAREHOLDERS:**

TAKE NOTICE that an Annual General Meeting (the “Meeting”) of the Shareholders of Turbo Power Systems Inc. (the “Company”) will be held at 10:00 A.M. (London, England time) on Thursday, June 7, 2007 at the offices of KBC Peel Hunt Ltd., 111 Old Broad Street, London, EC2N 1PH, for the following purposes:

1. To receive and consider the audited financial statements for the year ended December 31, 2006 and the report of the auditors thereon;
2. To fix the Board of Directors of the Company at seven (7) members;
3. To elect a Board of Directors of the Company for the ensuing year;
4. To appoint BDO Dunwoody LLP as auditors of the Company for the ensuing year; and
5. To transact any such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed form of Instrument of Proxy and return it in the envelope provided for that purpose.

The specific details of the matters proposed to be dealt with at the Meeting are set forth in the Management Information Circular accompanying this Notice. The audited consolidated financial statements of the Company and the auditors' report thereon for the year ended December 31, 2006 have been mailed to registered shareholders and are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

Only holders of record of Common Shares of the Company at the close of business May 1, 2007 (the “Record Date”) are entitled to notice of and to attend the Meeting or any adjournment(s) thereof and to vote thereat.

**If you are a registered shareholder of the Company and are unable to attend the Meeting in person, please date and sign the enclosed form of proxy and return it in the enclosed envelope. In order to be valid and acted upon at the Meeting, forms of proxy must be received by the Company's registrar and transfer agent, Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, (Facsimile: +1-416-263-9524 or +1-866-249-7775) (Attention: Proxy Department) or Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH (Facsimile: +44-20-870-703-6116) (Attention: Proxy Department) twenty-four (24) hours prior to the meeting or any adjournment thereof.**

**If you are an unregistered shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided therein.**

DATED this 5<sup>th</sup> day of May, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS**

“Signed”

\_\_\_\_\_  
Colin B. Besant, Chairman

**TURBO POWER SYSTEMS INC.**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**MANAGEMENT INFORMATION CIRCULAR**

**JUNE 7, 2007**

**NOTE: Shareholders who do not hold their shares in their own name, as registered shareholders, should read "Advice to Beneficial Shareholders" within for an explanation of their rights.**

**SOLICITATION OF PROXIES**

**THIS MANAGEMENT INFORMATION CIRCULAR IS PROVIDED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF TURBO POWER SYSTEMS INC.** (the "Company") of proxies for the Annual General Meeting of the Shareholders of the Company (the "Meeting") to be held at 10:00 A.M. (London, England time) on Thursday, June 7, 2007 at the offices of KBC Peel Hunt Ltd., 111 Old Broad Street, London, EC2N 1PH.

It is expected that the solicitation of proxies will be primarily by mail but may also be made by telephone, facsimile transmission or other electronic means of communication or in person by the directors, officers and employees of the Company; the cost of such solicitation will be borne by the Company.

**APPOINTMENT OF PROXYHOLDERS**

A shareholder has the right to appoint a nominee (who need not be a shareholder) to represent him at the Meeting other than the persons designated in the enclosed proxy form by inserting the name of his chosen nominee in the space provided for that purpose on the proxy form, or by completing another proper form of proxy. Such shareholder should notify the nominee of his appointment, obtain his consent to act as proxy and should instruct him on how the shareholder's shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or his attorney authorized in writing, with proof of such authorization attached, where an attorney executed the proxy form.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered via mail or facsimile to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, (Facsimile: +1-416-263-9524 or +1-866-249-7775) (Attention: Proxy Department) or Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH (Facsimile: +44-20-870-703-6116) (Attention: Proxy Department) at least twenty-four (24) hours, excluding Saturdays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting at his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

**REVOCABILITY OF PROXY**

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or his attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the office of the Corporation's transfer

agent, Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, (Facsimile: +1-416-263-9524 or +1-866-249-7775) (Attention: Proxy Department) or Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH (Facsimile: +44-20-870-703-6116) (Attention: Proxy Department) at least twenty-four (24) hours, excluding Saturdays, Sundays and holidays, before the time for holding the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting prior to the commencement of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

Pursuant to National Instrument 54-101 a non-registered holder (being a Shareholder whose Common Shares are held by an intermediary) who has given voting instructions to his or her intermediary may revoke such instruction at any time by written notice to such intermediary, provided that the intermediary is not required to act on a revocation of voting instructions received by it within seven days of the Meeting.

### **EXERCISE OF DISCRETION BY PROXYHOLDERS**

All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy the Common Shares represented by the proxy will be voted in accordance with such specification. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH COMMON SHARES WILL BE VOTED “FOR” ALL OF THE MATTERS SET FORTH IN THIS CIRCULAR AND ALL MATTERS PROPOSED BY MANAGEMENT TO BE ACTED UPON.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this circular, Management knows of no such amendment, variation or other matter.

### **VOTING OF PROXIES**

The persons named in the enclosed form of proxy are directors and/or officers of the Company and have indicated their willingness to represent as proxy the shareholder who appoints them. Each shareholder may instruct his proxy how to vote his shares by completing the blanks on the proxy form. Shares represented by properly executed proxy forms in favour of the persons designated on the enclosed form will be voted or withheld from voting in accordance with the instructions made on the proxy forms. In the absence of such instructions, such shares **WILL BE VOTED FOR THE APPROVAL OF ALL MATTERS IDENTIFIED IN THE NOTICE OF MEETING.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. At the time of printing this Management Information Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of the management of the Company.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company is authorized to issue an unlimited number of Common Shares (“Common Shares”), and an unlimited number of Preferred Shares. As at the effective date of this Management Information Circular (the “Effective Date”), which is May 5, 2007, the Company has 273,944,592 Common Shares, without

nominal or par value, outstanding. There are no other shares outstanding, of any class. The Common Shares are the only shares entitled to be voted at the Meeting, and holders of Common Shares are entitled to one vote for each Common Share held.

The Company prepared a list of shareholders of record at the close of business on May 1, 2007 (the "Record Date"). A holder of Common Shares of the Company named on that list will be entitled to vote the shares then registered in such holder's name, except to the extent that (a) the holder has transferred the ownership of any of his shares after the Record Date, and (b) the transferee of those shares produces properly endorsed share certificates, or otherwise establishes that he owns the shares, and demands not later than ten (10) days before the day of the Meeting that his name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his shares at the Meeting. **If you have sold or otherwise transferred all of your Common Shares in the Company, please forward this document together with the accompanying Instrument of Proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale of transfer was affected, for transmission to the purchaser or transferee.**

To the knowledge of the directors and senior officers of the Company, as at the Effective Date, no person, firm or Company beneficially owned, directly or indirectly, or exercised control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company.

#### **VOTING BY NON-REGISTERED SHAREHOLDERS**

The information set forth in this section is of significant importance to many public Shareholders of the Company, as a substantial number of the public Shareholders of the Company do not hold shares in their own name. Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, common shares owned by a person (a "non-registered holder") are registered either (a) in the name of an intermediary (an "Intermediary") that the non-registered holder deals with in respect of the common shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Management Proxy Circular and the accompanying Notice of Meeting together with the form of proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to non-registered holders of common shares. Intermediaries are required to forward the Meeting Materials to non-registered holders unless a non-registered holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to non-registered holders. Generally, non-registered holders who have not waived the right to receive Meeting Materials will either:

- be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or

- be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the non-registered holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “Voting Instruction Form”) which the Intermediary must follow. Typically the non-registered holder will also be given a page of instructions, which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non-registered holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its services company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the common shares they beneficially own. Should a non-registered holder who receives either form of proxy wish to vote at the Meeting in person, the non-registered holder should strike out the persons named in the form of proxy and insert the non-registered holder’s name in the blank space provided. **Nonregistered holders should carefully follow the instructions of their Intermediary including those regarding when and where the form of proxy or Voting Instruction Form is to be delivered.**

### STATEMENT OF EXECUTIVE COMPENSATION

(Currency references herein are either Canadian currency (\$) or British Pound Sterling (£))

#### Compensation of Named Executive Officers

“Named Executive Officers” means the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) of the Company, regardless of the amount of the compensation of those individuals, and each of the Company’s three most highly compensated executive officers, other than the CEO and the CFO, who are serving as executive officers or employees of the Company or its subsidiaries at the end of the most recently completed fiscal year and whose total salary and bonus amounted to \$150,000 or more.

#### Summary Compensation

The following table sets forth all annual and long term compensation for services in all capacities to the Company and its subsidiaries for the financial years ended December 31, 2004, 2005 and 2006 in respect of Named Executive Officers.

SUMMARY COMPENSATION TABLE								
Name and Principal Position	Annual Compensation				Long Term Compensation			All other Compensation (\$)
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(1)</sup> (\$)	Awards		Payouts	
					Securities Under Options Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Colin B. Besant <sup>(2)</sup> Chairman	2004	261,580	Nil	32,479	Nil	Nil	Nil	Nil
	2005	132,180	Nil	19,979	Nil	Nil	Nil	Nil
	2006	83,240	Nil	8,166	Nil	Nil	Nil	Nil
Justin Hall TPSL Director	2004	237,800	Nil	26,220	Nil	Nil	Nil	Nil
	2005	224,428	88,132	25,920	3,000,000	Nil	Nil	Nil
	2006	216,502	52,025	24,969	Nil	Nil	Nil	Nil
Michael J. Hunt <sup>(2)</sup> Chief Executive Officer	2004	225,910	Nil	26,239	Nil	Nil	Nil	Nil
	2005	249,670	88,132	60,743	4,000,000	Nil	Nil	Nil
	2006	274,588	62,430	31,361	Nil	Nil	Nil	Nil
Hassan Mansir TPSL Director	2004	237,800	Nil	26,784	Nil	Nil	Nil	Nil
	2005	224,428	88,132	26,659	3,000,000	Nil	Nil	Nil
	2006	216,502	52,025	25,646	Nil	Nil	Nil	Nil

SUMMARY COMPENSATION TABLE								
Name and Principal Position	Annual Compensation				Long Term Compensation			All other Compensation (\$)
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(1)</sup> (\$)	Awards		Payouts	
					Securities Under Options Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Stephen P. Sadler <sup>(3)</sup> Chief Financial Officer	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2005	212,193	88,132	29,262	3,500,000	Nil	Nil	Nil
	2006	232,344	62,430	30,903	Nil	Nil	Nil	Nil
Fraser Searle <sup>(3)</sup> Chief Financial Officer	2004	214,020	Nil	24,215	Nil	Nil	Nil	Nil
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes:**

- (1) Other Annual Compensation comprises private health insurance premiums and contributions made by the Company to the Company's Pension Scheme.
- (2) Professor Besant served as Chief Executive Officer during the 2004 year until July 1, 2004 at which time Mr. Hunt was appointed to serve as the Chief Executive Officer.
- (3) Mr. Searle served as Chief Financial Officer until December 17, 2004. Mr. Stephen Sadler was appointed Chief Financial Officer on March 17, 2005.
- (4) TPSL means Turbo Power Systems Limited, the wholly owned subsidiary of the Company.

## Options and SARs

The Company has a Stock Option Plan (the "Plan") dated November 27, 2006, which was approved and ratified by the shareholders of the Company on November 27, 2006.

The Plan is administered by the Board of Directors of the Company and its purpose is to afford the persons who provide services to the Company, whether directors, officers, employees or consultants of the Company or its subsidiaries, an opportunity to obtain a proprietary interest in the Company by permitting them to purchase Common Shares of the Company and to aid in attracting, retaining and encouraging the continued involvement of such persons with the Company. Pursuant to the Plan, the Board of Directors may allocate non-transferable stock options to purchase Common Shares of the Company to directors, officers, employees and consultants of the Company and its subsidiaries. The Plan provides that the number of shares issuable pursuant to options granted shall not exceed fourteen (14%) percent of the issued and outstanding Common Shares.

Except as permitted by the Sharesave Scheme referenced below, the exercise price of the Common Shares issued pursuant to such stock options granted under the Plan shall be not less than the "market price" as defined in the Plan. The option agreements shall provide for the expiration of such options on a date not later than ten years from the granting of such options. The Plan provides that the stock options are not transferable and if they are not exercised, will expire one year following the date the optionee ceases to be a director, officer, employee or consultant of the Company by reason of death, or the time period stipulated in the agreement evidencing the option (or such other period as the directors may approve and is permitted by the Toronto Stock Exchange ("TSX")) after ceasing to be a director, officer, employee or consultant of the Company for any reason other than death.

During the financial year ended December 31, 2006, 6,062,000 stock options were granted. As of the Effective Date, the total number of stock options outstanding pursuant to the Plan including the Scheme and Sharesave Scheme entitle the holders thereof to acquire an aggregate of 29,877,681 Common Shares, representing 10.9% of the outstanding Common Shares of the Company as at the date hereof.

Under the terms of the Plan, the Board of Directors has the authority to create and adopt share option schemes, which terms and conditions are within the scope of the provisions of the Plan. The following

two schemes have been created which are designed for approval by the United Kingdom (“UK”) Inland Revenue.

(a) *The Approved Share Option Scheme (the “Scheme”)*

The Scheme, which has been approved by the UK Inland Revenue, is available to all employees of the Company’s subsidiary, Turbo Power Systems Limited (“TPSL”), who are resident in the UK including executive directors. The grant of stock options pursuant to the Scheme is at the discretion of the directors upon recommendation by the Remuneration Committee of the Board of Directors. Grants of stock options are limited to £30,000 worth of Common Shares per employee. A stock option will normally be exercisable no earlier than three years and no more than ten years following its grant, provided that performance conditions subject to which it has been granted have been satisfied. The exercise price will not be less than its market value at the time of grant.

(b) *The Sharesave Scheme (the “Sharesave Scheme”)*

The Sharesave Scheme closed in December 2006. It was approved by the UK Inland Revenue, was open to all employees of TPSL who were resident in the UK, including executive directors, who entered into an approved savings contract for a period of three and/or five years. The UK Inland Revenue rules limit the maximum amount that may be saved to £250 per month. Options are granted when the savings contract is commenced, to acquire the number of Common Shares that the total savings will buy when the savings contract expires. The exercise price of options granted under the Sharesave Scheme was not lower than 85% of the market value at the time of the grant.

(c) *Equity Compensation Plan*

The following table summarizes the Equity Compensation Plan information as of December 31, 2006 under which equity securities of the Company are authorized for issuance.

EQUITY COMPENSATION PLAN INFORMATION			
Plan Category	Number of Securities to be issued upon exercise of outstanding options	Weighted-average exercise price of the outstanding options	Number of securities remaining available for future issuance under equity compensation plan
Equity Compensation Plans approved by Security Holders	21,567,281	£0.15	16,784,961
Equity Compensation Plans not approved by Security Holders	N/A	N/A	N/A
Total:	21,567,281	£0.15	16,784,961

(d) *Option/SARS Granted During the Most Recently Completed Fiscal Year*

During the most recently completed fiscal year, no incentive stock options nor SARs (stock option appreciation rights) were granted to the Named Executive Officers during the period.

(e) *Option/SAR Exercises During the Financial Year Ended December 31, 2006 and Financial Year End Option/Sar Values*

The following table sets forth information in respect of each exercise of options and freestanding SARs, if any, during the Company's financial year ended December 31, 2006 and the financial year end value of unexercised options and SARs, held by each of the Named Executive Officers of the Company.

AGGREGATED OPTION/SAR EXERCISES DURING THE FINANCIAL YEAR ENDED DECEMBER 31, 2006 AND FINANCIAL YEAR END OPTION/SAR VALUES				
Name and Title	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options/SARs at Financial Year End Exercisable/Unexercisable	Value of Unexercised "in the money" Options/SARs at Financial Year End Exercisable/Unexercisable <sup>(1)(2)</sup> (\$)
Colin B. Besant Chairman	Nil	Nil	Nil	Nil
Justin Hall TPSL Director	Nil	Nil	3,000,000	Nil
Michael J. Hunt Chief Executive Officer	Nil	Nil	4,158,950	Nil
Hassan Mansir TPSL Director	Nil	Nil	3,000,000	Nil
Stephen P. Sadler Chief Financial Officer	Nil	Nil	3,500,000	Nil

**Notes:**

- (1) Unexercised "in-the-money" options refer to those options in respect of which the market value of the underlying security as at the financial year end exceeds the exercise or base price of the option, being the aggregate of the difference between the market value of the securities as at December 31, 2006, and the exercise price.
- (2) As at December 31, 2006, the last day in the financial year 2006 in which the Common Shares traded, the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") was \$0.21 per Common Share and the middle market quotation on the London Stock Exchange was £0.08 per Common Share. The foregoing calculation is based on the closing price of the TSX.
- (3) TPSL means Turbo Power Systems Limited, the wholly owned subsidiary of the Company.

**Long Term Incentive Plans**

The Company currently has no long-term incentive plans in place.

**Option and SAR Repricing**

The Company did not make any downward repricing of stock options or SARs during the financial year ended December 31, 2006.

**Defined Benefit or Actuarial Plans**

All of the Named Executive Officers employed by the Company are members of a pension scheme - a money purchase scheme with Standard Life. The Company's subsidiary, TPSL, pays on behalf of these Named Executive Officers, ten (10%) percent of their base salary to the pension scheme. The pension scheme is not a defined benefit scheme.

## Compensation of Directors

During the financial year ended December 31, 2006, outside directors received aggregate compensation of £114,232 for services provided to the Company in their capacities as directors as follows:

Name of Director	Directors' Fees (£)	All Other Compensation (\$)
Colin B. Besant	40,000	3,924
Nicholas O. Brigstocke	20,000	Nil
David G. Hawksworth	13,641	Nil
Wayne M. E. McLeod	20,000	Nil
Michael Webber	16,667	Nil

During the financial year ended December 31, 2006, no incentive stock options or SARs (stock appreciation rights) were granted to the outside Directors.

The following table sets out the incentive stock options exercised by the outside Directors during the most recently completed fiscal year as well as the fiscal year end value of stock options still held by the outside Directors. During this period, no outstanding SARs were held by outside Directors.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$) <sup>(1)</sup>	Unexercised Options at Fiscal Year End Exercisable/Unexercisable (#)	Value of Unexercised In-the-Money Options at Fiscal Year End Exercisable/Unexercisable (\$) <sup>(2)</sup>
Nicholas O. Brigstocke	Nil	Nil	120,000	Nil
Ian Macintosh	Nil	Nil	Nil	Nil
Wayne M. E. McLeod	Nil	Nil	100,000	Nil
Ross Sayers	Nil	Nil	Nil	Nil

**Notes:**

- (1) Calculated using the average of the high and low prices for a board lot of the Shares on the TSX.
- (2) Value of unexercised in-the-money options calculated using the closing price of the Shares on the TSX on December 31, 2006 of \$0.21 per share, less the exercise price of in-the-money stock options.

## Termination of Employment, Change in Responsibilities and Employment Contracts

Other than the following, the Company did not have in place during the financial year ended December 31, 2006: (a) any employment contract between the Company or any subsidiary or affiliate thereof and any Named Executive Officer; or (b) any compensatory plan or arrangement with respect to a Named Executive Officer, which results or will result from the resignation, retirement or any other termination of employment of the officer's employment with the Company and its subsidiaries or from a change of control of the Company or any subsidiary or any change in the Named Executive Officer's responsibilities following a change in control. All of such individuals are resident in the United Kingdom.

1. At the Annual General Meeting of shareholders held on June 23, 2005, Colin Besant changed his role as an executive director to become the Non-Executive Chairman. A letter of appointment between Professor Besant and the Company dated June 23 2005 replaced the Service Contract dated July 3, 2000 that Professor Besant had with TPSL. Pursuant to the letter of appointment Professor Besant receives directors fees of £40,000 gross per annum. In addition, Professor Besant is entitled to membership of the established health and life insurance plans and is entitled to participate in the share option schemes.
2. Pursuant to a service contract dated July 1, 2004 made between Michael Hunt and TPSL, Michael Hunt, Director and Chief Executive Officer, receives an annual salary of £135,250 terminable on

three (3) months' notice by Michael Hunt. In addition, Mr. Hunt receives a contribution of 10% of salary to his pension plan, is entitled to membership of the TPSL's health and life insurance plans and is entitled to a maximum bonus amount equivalent to 100% of salary at the discretion of the Remuneration Committee. Under the terms of this agreement Mr. Hunt is required to devote the whole of his working time and attention to his duties. On a change of control, Mr. Hunt will be entitled to terminate this contract and receive a payment equivalent to eighteen months salary, benefits and estimated bonus entitlement if he so elects at any time during the eighteen (18) months following the change of control. On retirement or death Mr. Hunt is entitled to a lump sum equivalent to a pro rata award under the bonus plan and applicable benefits in relation to death or retirement. On termination by TPSL without cause or by Mr. Hunt for good reason, which requires three (3) months' notice to be served by the relevant party, Mr. Hunt is entitled to eighteen (18) months' salary, eighteen (18) months' bonus entitlements, a lump sum equivalent to his non-vested interest under any tax-qualified pension, retirement or savings plan and the vesting of options he has been granted under the share option schemes. On termination by TPSL for reasons of disability, which requires three (3) months' notice to be served by TPSL, Mr. Hunt is entitled to eighteen (18) months' salary and continuation of the TPSL medical insurance for up to a maximum of eighteen (18) months after termination.

3. Mr. Sadler is employed by TPSL pursuant to a Service Agreement dated March 7, 2005 receiving an annual salary of £114,444 terminable on One Hundred Eighty (180) days notice by Mr. Sadler. In addition, the Company will match pension contributions of Mr. Sadler on the basis of: (i) Mr. Sadler's entitlement to contribute up to 5% of his annual base salary to his pension scheme; and (ii) the Company contributing two times the amount with Mr. Sadler contributes, up to 10% of his annual base salary. Under the terms of this agreement Mr. Sadler is required to devote the whole of his working time and attention to his duties. On a change of control, Mr. Sadler will be entitled to terminate this contract and receive a payment equivalent to twelve (12) months' salary, benefits and estimated bonus entitlement if he so elects at any time during the twelve (12) months' following the change of control. On retirement or death Mr. Sadler is entitled to a lump sum equivalent to a pro rata award under the bonus plan and applicable benefits in relation to death or retirement. On termination by TPSL without cause or by Mr. Sadler for good reason, which requires six (6) months' notice to be served by the relevant party, Mr. Sadler is entitled to twelve (12) months' salary, twelve (12) months' bonus entitlements, a lump sum equivalent to his non-vested interest under any tax-qualified pension, retirement or savings plan and the vesting of options he has been granted under the share option schemes. On termination by TPSL for reasons of disability, which requires six (6) months' notice to be served by TPSL, Mr. Sadler is entitled to twelve (12) months' salary and continuation of the TPSL medical insurance for up to a maximum of twelve (12) months after termination.
4. Messrs. Hall and Mansir are employed by TPSL pursuant to service agreements dated July 3, 2000 on the same terms as the service agreement made between Mr. Hunt and TPSL noted above, except in respect of the specific annual salary which is £106,641 and in the event of a change of control, they may elect to terminate the agreement and receive a payment equivalent to twenty-four (24) months salary, benefits and estimated bonus entitlement if they so elect to terminate at any time during the eighteen (18) months following the change of control.

## **Other Compensation**

Other than as set forth herein, the Company did not pay any additional compensation to the executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year except for:

1. the fees of £10,000 payable to James Stacey, a non-executive director who previously served as the executive Deputy Chairman.

## **Composition of Remuneration Committee**

The Remuneration Committee consists of Mr. Brigstocke, an unrelated director, who is the chair of the committee and three (3) unrelated directors, namely Messrs. Besant, Hawksworth and McLeod. None of the members of the Remuneration Committee are, or have been, officers or employees of the Company or any subsidiary, with the exception of Mr. Besant who served as the Chief Executive Officer prior to July 1, 2004.

## **Report of the Remuneration Committee on Executive Compensation**

The following report is submitted by the Remuneration Committee.

### *(a) Remuneration Policy*

The Company's executive remuneration program is administered by the Remuneration Committee.

#### Purpose

The purpose of the Company's executive remuneration policy is to fairly and responsibly reward individuals for their contribution to the success of the Group. It is also to ensure that the Board sets an overall remuneration package which will both attract and retain individuals of the highest calibre by offering remuneration comparable to other public companies of similar capitalisation taking into account their level of sales, profitability, cash generation and improvement in performance.

#### Base salary

The Remuneration Committee will set a competitive base salary, payable monthly and reviewed annually in March.

#### Bonus

Executive contracts make provision for an annual performance bonus, subject to Board approval. In deciding the level of bonus, the Board will have regard to the financial performance of the Company and to pre-set performance targets. The task of setting and reviewing these targets is typically delegated to the Remuneration Committee. Bonuses of up to 50% of a salary base shall be awarded at the discretion of the Board, with such bonuses being awarded as a mixture of cash, stock options and common shares as the Board may determine at its sole discretion.

### Pension

The Company makes pension contributions on behalf of executives into a money purchase scheme on a partially matched basis. The current policy requires individual executives to make contributions at the rate of 50% of the Company contribution up to a maximum of 5% individual, 10% company.

### Other benefits

The Company will pay for healthcare insurance for the executive and their immediate family subject to all family members being in normal health when the executive joins the Company. Special arrangements may be made only at the discretion of the Board.

The remuneration policy does not currently recommend the provision of company cars or car allowances for executive directors.

Other benefits may be provided to executives at the discretion of the Board.

### Stock options

The Board looks to provide stock options to all executive directors as soon as possible after joining the company. Thereafter, subject to closed periods and possession of price sensitive information, stock options will be granted at the discretion of the Board. Grants are to be made within the provisions of the Company's Stock Option Plan and the Model Code.

### Independent Consultant

To ensure remuneration packages offered to executive directors are competitive within the industry, from time to time, at the discretion of the Remuneration Committee, the Remuneration Committee may retain an independent consultant to advise on compensation ranges being paid to executives of the companies of a similar industry and size to the Company.

#### *(b) Chief Executive Officer Compensation*

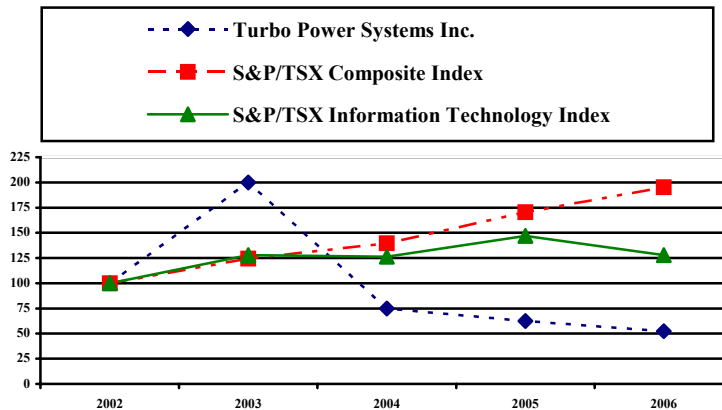
The compensation of the Chief Executive Officer is based on the same program that is applied to other executive officers of the Company, namely a base salary, an annual performance bonus and participation in the Company's incentive stock option plan.

In 2006, the base salary of the Chief Executive Officer was £130,000 per annum during the period to 31 March 2006, and £132,600 per annum for the remainder of the year. A performance bonus of £30,000 was awarded for his performance in 2006. During the year ended December 31, 2006, Mr. Hunt was not granted stock options.

### **Performance Graph - Five Year Shareholder Return Comparison**

The following graph compares the yearly change in the cumulative total shareholder return over the periods indicated of a \$100 investment in the Company's Common Shares with the cumulative total return of S&P/TSX Composite Index and the S&P/TSX Information Technology Index, assuming the reinvestment of dividends, where applicable, for the comparable period.

## CUMULATIVE VALUE OF A \$100 INVESTMENT



All Amounts in \$	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2005	Dec. 31, 2006
Turbo Power Systems Inc.	100	200	75	62.50	52.50
S&P/TSX Composite Index	100	124.29	139.79	170.41	195.15
S&P/TSX Information Technology Index	100	127.94	126.36	146.90	127.94

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### *Corporate Governance*

The Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the “CSA”) have adopted National Policy 58-201 Corporate Governance Guidelines, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, the CSA have implemented National Instrument 58-101 Disclosure of Corporate Governance Practices, which prescribes certain disclosure by the Company of its corporate governance practices.

This section sets out the Company’s approach to corporate governance and addresses the Company’s compliance with NI 58-101.

### *Board Mandate*

The Board has no written mandate at this time but is generally responsible for managing the business affairs of the Company. The primary responsibility of the Board is to promote the best interests of the Company and its shareholders. This responsibility includes: (i) approving annual capital expenditure budgets and general and administrative expense budgets and reviewing fundamental operating, financial and other corporate plans, strategies and objectives; (ii) outlining key operating parameters including debt levels and ratios; (iii) evaluating the performance of the Company and senior management; (iv) determining, evaluating and fixing the compensation of executive officers; (v) adopting policies of corporate governance and conduct; (vi) considering risk management matters; (vii) reviewing the process of providing appropriate financial and operational information to Shareholders and the public generally; and (viii) evaluating the overall effectiveness of the Board. The Board explicitly acknowledges its responsibility for the stewardship of the Company. The Board reviews with management matters of strategic planning, business risk identification, succession planning, communications policy and integrity

of internal control and management information systems. The Board fulfils its responsibilities through regular meetings.

### ***Board of Directors***

The Board of Directors is comprised of the six members listed below. Our Board of Directors has determined that a majority of the members of the Board of Directors have no material relationship with the Company (either directly or as partners, shareholders or officers of an organization that has a relationship with the Company) and are independent within the meaning of National Instrument 58-101 director independence standards. Messrs. Hunt and Sadler, who respectively serve as Chief Executive Officer and Chief Financial Officer are not considered to be independent. Furthermore, the Board has determined that each of the members of the Audit Committee, the Remuneration Committee, the Nomination and the Governance Committee has no material relationship to the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent within the meaning of National Instrument 58-101 director independence standards.

<u>Name and Position</u>	<u>Independence</u>	<u>Committee Membership</u>
Colin B. Besant, Non-Executive Chairman .....	Yes	Governance Audit Remuneration Nomination
Nicholas O. Brigstocke, Director .....	Yes	Governance * Audit Remuneration * Nomination *
David G. Hawksworth, Director .....	Yes	Governance Audit Remuneration Nomination
Michael J. Hunt, Director, CEO .....	No	Nil
Wayne M. E. McLeod, Director .....	Yes	Governance Audit* Remuneration Nomination
Stephen P. Sadler, Director, CFO .....	No	Nil

\* Indicates chairmanship of committee.

### ***Meetings***

The Board meets a minimum of four times per year. In addition, the Board meet at such other times as may be required if it is not possible to deal with the Company's business at a regularly scheduled quarterly meeting.

The Board facilitates its independent supervision over management in a number of ways including by holding regular meetings at which members of management or non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

### ***Other Directorships***

The following table gives details of the directorships upon other reporting issuers which each director currently maintains:

<b>Name of Director</b>	<b>Directorships of Other Reporting Issuers</b>
Colin B. Besant	None
Nicholas O. Brigstocke	Sentry Select (UK) Ltd. (LSE) Azure Dynamics Corporation. (TSX; AIM) Bridgewell Group PLC. (AIM) Inter Pipeline Fund (TSX) Dynamic Digital Depth Co. Ltd. (AIM) Healthcare Enterprise Group PLC (AIM)
David G. Hawksworth	None
Michael J. Hunt	None
Wayne M. E. McLeod	Morguard Corp. (TSX) SMTC Mfg. Corp. (TSX) Richards Pkg. Trust (TSX) New Flyer Industries Trust (TSX) CanWest Mediaworks Partnership (TSX)
Stephen P. Sadler	Synchronica PLC (AIM)

### ***Orientation and Continuing Education***

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company’s properties, business, operations and industry and on the responsibilities of directors. Board meetings may also include presentations by the Company’s management and employees to give the directors additional insight into the Company’s business. New directors are provided with access to recent, publicly filed documents of the Company, technical reports and internal financial and corporate information. Directors are encouraged to ask questions and communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in the legislation.

### ***Nomination of Directors***

The Board has delegated the responsibility of identifying new candidates to the Nomination Committee. The process and responsibility of the Nomination Committee is set forth below under the heading “Committee Information—Nomination Committee”.

### ***Compensation***

The Board has delegated the responsibility of determining compensation strategies for the Company and recommending the forms and amounts of compensation for directors, officers, consultants and employees to the Remuneration Committee. Please refer to the disclosure under the heading “Committee Information - Remuneration Committee”.

### ***Position Descriptions***

The Board of Directors has not yet developed written position descriptions for the chair of the Board of Directors or the chair of the committees of the Board of Directors.

The objectives of the Chief Executive Officer are established each year through the discussion and recommendation between the Chief Executive Officer, the remuneration committee and the Board of Directors. The roles and responsibilities which are part of the communicated objectives of the Chief

Executive Officer are reviewed, discussed and further defined on an ongoing basis through meetings of the Board of Directors and the committees of the Board of Directors.

### ***Lead Director***

Professor Besant acts as lead director of the Board of Directors. As lead director, Professor Besant is responsible for ensuring the appropriate organization, content and flow of information to the Board of Directors, that all concerns of the directors are addressed and that the Board of Directors acts independently of the Company's management.

### ***Board Evaluations/Assessments***

The Company has established procedures and surveys for assessing and evaluating the performance of the Board of Directors. The surveys completed by each director are summarized and discussed by the Board of Directors as a whole with the objective of making changes to policies or procedures to address comments aimed at greater Board of Directors effectiveness.

### ***Code of Ethics***

The Company has adopted a Code of Ethics which has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

### ***Communications with the Board***

Shareholders or other interested parties may send communications to the Board of Directors by writing through the Secretary of the Company at 888, 900-6<sup>th</sup> Ave. S.W. Calgary, AB. Canada T2P 3K2. The Secretary will forward to the directors all communications that, in his or her judgment, are appropriate for consideration by the directors. Comments or complaints relating to our accounting, internal accounting controls or auditing matters will also be referred to members of the Audit Committee. The Audit Committee has procedures for (a) receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

### ***Committee Information***

#### ***Nomination Committee***

The role of the Nomination Committee is to assist the Board of Directors in ensuring that the Board of Directors is comprised of individuals who are best able to discharge the responsibilities of directors, having an understanding of our industry, stage of growth, the law and the highest standards of governance. The tasks and responsibilities of the Nomination Committee are defined in its Terms of Reference, which was approved by the Board of Directors. The Nomination Committee is currently comprised of Messrs. Brigstocke (Chairman), Besant, Hawksworth and McLeod, all of whom are independent directors.

At present the Board believes that the Nomination Committee is in the best position to identify and evaluate director candidates. New candidates are identified by the Nomination Committee whose responsibility it is to develop, and update and recommend nominees to the Board for approval. The following factors will be considered: (a) the independence of each director; (b) the competencies and skills the Board, as a whole, should possess; (c) the current strengths, skills and experience represented by each director, as well as each director's personality and other qualities as they affect Board dynamics; and (d) the strategic direction of the Company.

From time to time the Nomination Committee may use a third party to assist it in identifying and evaluating potential director candidates.

#### *Corporate Governance Committee*

The Corporate Governance Committee is currently comprised of Messrs. Brigstocke, (Chairman), Besant, Hawksworth, and McLeod, all of whom are independent directors. The tasks and responsibilities of the Corporate Governance Committee are defined in its Terms of Reference, which was approved by the Board of Directors. Generally, it has the responsibility of monitoring our overall approach to corporate governance issues which include:

- Responding to governance recommendations or guidelines from various regulatory authorities;
- Ensuring that there are adequate policies and procedures in effect to allow the Company to meet all continuous disclosure requirements;
- Ensuring that adequate policies and procedures are in effect to identify, mitigate and manage principal risks of our business; and
- reviewing annually the Company's strategic planning process.

#### *Audit Committee*

The Audit Committee currently is comprised of Messrs. McLeod (Chairman), Brigstocke, Besant and Hawksworth, all of whom are independent directors. In accordance with its Terms of Reference, the Audit Committee examines and reviews on behalf of the Board of Directors, internal financial controls, financial and accounting policies and practices, the form and content of financial reports and statements, and the work of the external auditors. The Audit Committee has the responsibility for hiring, overseeing and terminating the independent accountants and determining the compensation of such accountants. The Chief Financial Officer attends the meetings of the Audit Committee by invitation.

#### *Remuneration Committee*

Executive compensation is the responsibility of the Remuneration Committee. The Remuneration Committee operates under Terms of Reference which have been adopted by the Board of Directors. Messrs. Brigstocke (Chairman), Besant, Hawksworth and McLeod, all of whom are independent directors, currently comprise the Remuneration Committee.

The aim of the Remuneration Committee is to award and compensate in a manner which provides incentives for the enhancement of shareholder value, for the successful implementation of the Company's business plan and for continuous improvement in corporate and personal performance. The compensation program of three components: base salary, annual incentive (bonus) paid in cash and long-term equity based incentive.

The Remuneration Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each executive officer pursuant to the Remuneration Policy as disclosed herein under the heading "Report of the Remuneration Committee on Executive Compensation". It then submits to the Board recommendations with respect to the basic salary, bonus and participation in share compensation arrangements for each for applicable approvals.

### ***Attendance of Board and Committee Meetings***

The following chart discloses the number of Board and Committee meetings held throughout the last fiscal year and the attendance of the eligible directors at the same.

Number of Board and Committee Meetings Held		Summary of Attendance by Directors		
		Director	Board Meetings	Committee Meetings
Board of Directors	20	Colin B. Besant	19 of 20	N/A
Audit Committee	4	Nicholas O. Brigstocke	13 of 20	8 of 11
Remuneration Committee	1	David G. Hawksworth <sup>(3)</sup>	14 of 16	7 of 7
Corporate Governance Committee	6	Michael J. Hunt	20 of 20	N/A
Nomination Committee	0	Wayne M.E. McLeod	16 of 20	11 of 11
		Stephen P. Sadler	20 of 20	N/A
		James Stacey	3 of 5	N/A
		Michael Webber <sup>(1)</sup>	14 of 17	11 of 11

**Notes:**

- (1) Michael Webber was appointed to the Board on March 1, 2006, and resigned on April 30, 2007.
- (2) James Stacey did not stand for re-election to the board of Directors on June 8, 2006.
- (3) David Hawksworth was appointed to the Board on April 25, 2006.

### ***Lead Director***

Professor Besant acts as lead director of the Board of Directors. As lead director, Professor Besant is responsible for ensuring the appropriate organization, content and flow of information to the Board of Directors, that all concerns of the directors are addressed and that the Board acts independently of the Company's management.

### ***Board Evaluations/Assessments***

The Company has established procedures and surveys for assessing and evaluating the performance of the Board. The surveys completed by each director are summarized and discussed by the Board as a whole with the objective of making changes to policies or procedures to address comments aimed at greater Board effectiveness.

### ***Objectives of the Chief Executive Officer***

The Chief Executive Officer is Mr. Hunt whose written objectives constitute a mandate on a year to year basis. The Chief Executive Officer's objectives, which include the general mandate to maximize shareholder value, are consistent with the Company's annual plan and budget which is approved by the Board annually and modified by the Board during the year.

### ***Code of Ethics***

The Company has approved and adopted a written Code of Ethics for the directors, officers and employees which has been filed by the Company on Sedar ([www.sedar.com](http://www.sedar.com)).

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

The Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who was a director or senior officer of the Company at any time since the beginning of the last financial year of the Company, any proposed nominee for election as a director at the Meeting, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of the directors.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, executive officer or proposed nominee for director, or any of their respective associates is, or was at any time since the beginning of the most recently completed financial year, indebted to the Company or any of its subsidiaries.

## **AUDIT COMMITTEE DISCLOSURE**

Information required by Multilateral Instrument 52-110, Audit Committees, is presented in the Company's Annual Information Form, Item 9, which is now filed on Sedar at [www.sedar.com](http://www.sedar.com).

## **INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS**

The Company is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any directors, nominee directors, senior officers, or any shareholder who beneficially owns directly or indirectly more than 10% of the issued and outstanding Common Shares or any known associate or affiliates of such persons in any transaction within the last financial year or any proposed transaction which has materially affected or would materially affect the Company other than as disclosed herein.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may contact the Company at its Calgary, Alberta office to request copies of the Company's financial statements and Management Discussion and Analysis.

Turbo Power Systems Inc.  
Suite 888, 900-6<sup>th</sup> Avenue SW  
Calgary, Alberta, Canada T2P 3K2

Phone: 403-237-6549

Fax: 403-237-6518

The financial information of the Company is provided in the Company's comparative financial statements and Management Discussion and Analysis for its most recently completed financial year ended December 31, 2006.

**MATTERS TO BE ACTED UPON AT THE MEETING**

**1. Number of Directors**

Shareholders of the Company will be asked to consider, and if thought fit, approve an ordinary resolution fixing the number of directors to be elected at seven (7). In order to be effective, an ordinary resolution requires approval by majority of the votes cast by shareholders who vote in respect of the resolution. Unless otherwise directed, it is Management's intention to vote the proxies in favour of the resolution fixing the number of directors to be elected at seven (7).

**2. Election of Board of Directors**

At the Meeting it will be proposed that seven (7) directors be elected to hold office until the next Annual Meeting or until their successors are elected or appointed. There are presently six (6) directors of the Company, each of whose term of office will expire at the Meeting. Unless otherwise directed, it is the intention of Management to vote proxies in favour of the election as directors of the seven (7) nominees set forth below:

**Professor Colin B. Besant**  
**Mr. Nicholas O. Brigstocke**  
**Mr. David G. Hawksworth**  
**Mr. Michael J. Hunt**

**Mr. Wayne M. E. McLeod**  
**Mr. Stephen P. Sadler**  
**Dr. Graham K. Thornton**

Information regarding the persons nominated for election as directors, including the number of voting securities of the Company each beneficially owns, directly or indirectly, or over which each exercises control or direction is as follows:

<b>Name and Place of Residence</b>	<b>Position Presently Held</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned or Controlled <sup>(1)</sup></b>
Professor Colin B. Besant <sup>(2)(3)(4)(5)</sup> London, UK	Chairman of the Board	Director, President and Chairman of the Board of the Company.	Feb. 28, 1994	15,687,500
Mr. Nicholas O. Brigstocke <sup>(2)(3)(4)(5)</sup> London, UK	Director	Currently an independent businessman and a non-executive director of Azure Dynamics Corporation, Bridgewell Corp PLC, Capital Accumulation Ltd., Dynamic Digital Depth Co. Ltd. Healthcare Enterprise Group Plc., Inter Pipeline Fund and Chairman of Sentry Select (UK) Ltd.	Feb. 8, 2000	911,381
Mr. David G. Hawksworth <sup>(2)(3)(4)(5)</sup> London, UK	Director	Currently Managing Director of Oxford Biosensors, prior to which from 1995 to 2003 he was the Managing Director of Oxford Magnet Technology, a joint venture company between Oxford Instruments and Seimens.	Apr. 27, 2006	87,500
Mr. Michael J. Hunt London, UK	Director and Chief Executive Officer	Chief Executive Officer of the Company	June 30, 2004	198,167
Mr. Wayne M.E. McLeod <sup>(2)(3)(4)(5)</sup> Toronto, Ontario	Director	Currently an Independent Businessman previous to which he was the Chairman and Chief Executive Officer of CCL Industries Inc.	Jan. 23, 2002	237,881
Mr. Stephen P. Sadler London, UK	Director and Chief Financial Officer	Chief Financial Officer of the Company	March 17, 2005	198,167

Name and Place of Residence	Position Presently Held	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
Dr. Graham K. Thornton, London, UK	N/A	Currently Managing Director and Vice President of Business Development of Northrop Grumman UK Limited since February 2006, prior to which he provided business development and strategic planning consultant services to defense and high technology companies.	N/A	252,000

**Notes:**

- (1) The information as to the number of shares, not being within the knowledge of the Company has been furnished by the respective nominees.
- (2) Member of the Corporate Governance Committee
- (3) Member of the Audit Committee
- (4) Member of the Remuneration Committee
- (5) Member of the Nomination Committee
- (6) The Company does not have an executive committee.

### **3. Appointment of Auditor**

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to appoint the firm of BDO Dunwoody LLP, Chartered Accountants, as auditor of the Company to hold office until the close of the next Annual General Meeting of Shareholders or until the firm of BDO Dunwoody LLP is removed from office or resigns as provided by law by the Company's by-laws, and to authorize the directors of the Company to fix the remuneration of BDO Dunwoody LLP, as auditors of the Company. BDO Dunwoody LLP has been the auditor of the Company since March 18, 1999.

### **4. Other Business**

While there is no other business other than that mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.

DATED: May 5, 2007