

Press Release

turbopowersystem

25 June 2009

2008 Loan Note Update

Turbo Power Systems is pleased to announce that it has agreed with the 2008 Loan Note holders to renegotiate the terms of the 2008 Loan Note to allow more flexibility in working capital.

Currently, the 2008 Loan Notes are repayable on demand, at the request of the majority of the Loan Note holders, if the cash balance falls below a threshold of £750,000 (the "Threshold Level"). The Company had previously negotiated a reduced threshold level of £300,000 which expired on 24 June 2009. The Company anticipates that it will operate materially above this reduced level for the remainder of 2009.

Major programmes and recent contract wins (of over \$10m in 2009), are moving into their production phases and the management would like to retain full flexibility of working capital. As a result, they have requested, and the 2008 Loan Note Holders have agreed, that the Threshold Level is removed for the remainder of 2009.

As part of this agreement, the Company undertakes, within 2009, to address its plans for repayment of all existing Loan Notes. If this is not carried out to the satisfaction of the 2008 Loan Note Holders by 31 December 2009, they will then have the ability to request the 2008 Loan Note to be repayable immediately.

This increase in available cash will help the Company to take advantage of existing and future growth opportunities, whilst providing additional working capital headroom.

Paul Summers, CEO, said "As evidenced by recent contract awards our markets are bearing up well in the current climate and are still providing the business with good opportunities. I am pleased that the 2008 Loan Note holders have demonstrated their confidence in the business by agreeing to the suspension of the threshold whilst we increase our production activities."

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 2008 Loan Note 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.

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 are fair and reasonable insofar as its shareholders are concerned. In forming their opinion the Directors have taken into account that they do not believe that they are able to obtain any other sources of funding within the time available and that accordingly this proposed amendment is the most appropriate course of action available to them at this time.

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