

For Immediate Release

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**Compact Power, Inc. Awarded Lithium-Ion Battery Technology
Development Contract by USABC**

Detroit, Mich. – October 16, 2006 – Compact Power, Inc. (CPI) today announced it has received a contract from the United States Advanced Battery Consortium (USABC), an organization composed of the three U.S. automakers, and the U.S. Department of Energy, to develop lithium-ion battery technology for hybrid-electric vehicle applications. The contract, valued at \$6.3 million, is for an 18-month period with a focus on lithium-ion battery cell and module development.

USABC is a consortium of the United States Council for Automotive Research (USCAR). USABC's mission is to develop electrochemical energy storage technologies that support commercialization of fuel cell, hybrid and electric vehicles. USABC has a cooperative agreement with the U.S. Department of Energy for research and development of battery technologies. USCAR is an umbrella organization of DaimlerChrysler Corporation, Ford Motor Company and General Motors Corporation, which was formed in 1992 to further strengthen the technology base of the domestic auto industry through cooperative research.

CPI's contract involves lithium-ion battery cell development focused on improving life cycle, calendar life, cold-cranking power, abuse-tolerance, and low-temperature performance, as well as creating designs for a new cell pouch and separator. Module

development will focus on lithium-ion thermal issues, battery module electronics, cell interconnections and abuse testing.

“The development work behind this contract allows us the opportunity to continue enhancing the acceptance of lithium-ion as a viable battery technology for hybrid-electric vehicles,” said Prabhakar Patil, CEO, CPI. “As one of the primary developers of lithium-ion batteries for North American hybrid electric vehicles, we are ideally positioned to add value to USABC’s work. Plus, we have the ability to call on the resources of our parent company, LG Chem, one of the largest providers of lithium-ion batteries in the world.”

The new contract is CPI’s largest with USABC, with whom the company has been involved since 2002. It has completed four development projects in that time frame to help broaden the knowledge base of lithium-ion batteries as an emerging technology. Previous projects have included benchmark and life cycle testing, module assessment, and cell, module and algorithm development.

About Compact Power, Inc.

Compact Power, Inc. (CPI) is a North American subsidiary of LG Chem, one of the world’s largest producers of lithium-ion batteries for automotive hybrid electric vehicles and non-automotive (commercial and military) markets. The company was formed in 2001 in the United States and is headquartered in Troy, Mich., at the heart of the automotive industry. CPI’s mission is to become the supplier of choice for lithium-ion battery technology. To learn more about CPI, please visit: www.compactpower.com.

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