

NEWS RELEASE

Canadian Renewable Energy Company Receives Significant R&D Backing To Commercialise Its Technology

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VANCOUVER, Canada - As part of its continued support of Canada's knowledge-based economy, BAE Systems today announced an agreement to assist the ongoing technical needs of renewable energy company Instream Energy Systems of Vancouver, Canada. Instream specialises in developing and installing the next generation of hydrokinetic power generation systems, which convert the kinetic energy in moving water into electricity.

The agreement is designed to support Instream's renewable energy technology's successful commercial development by granting the company ongoing access to the BAE Systems' Advanced Technology Centre (ATC). The ATC is one of the world's most advanced research & development facilities and specialises in fields such as micro and nano technology, biofutures and robotics. Its backing will allow Instream to further develop its hydrokinetic turbine technology by incorporating the latest materials and manufacturing techniques.

All intellectual property developed as a result of this cooperation will rest solely with Instream.

"We're delighted with our relationship with BAE Systems. The successful commercialisation of hydrokinetics requires a lifetime of expertise in hydrodynamics and aeroplane wing design that a company like BAE Systems can give us," said Patrick Earle, Chief Executive Officer of Instream.

"BAE Systems technological development and commercial fund raising support will accelerate the commercialisation, in Canada, of this Canadian renewable energy innovation. Last year we worked solidly with BAE Systems on a demonstration project at Duncan Dam, British Columbia. BC Hydro granted us temporary access to the tailrace at Duncan Dam and we worked with their wholly owned subsidiary Powertech Labs to gather the necessary base data for the technology's development. Instream's extended agreement with BAE Systems will focus initially on the development of the next generation of hydrokinetics technology, but also allows us the facility to support other areas of our business" concludes Earle.

"The Instream demonstration project at BC Hydro's Duncan Dam underscores that a hydrokinetic system has a small environmental footprint, and has the potential to produce clean and renewable electricity on a commercial-basis," said Kip Morison, Chief Technology Officer at BC Hydro.

"We have been working closely with Instream for almost three years", said John Rossall, Director, Offset Programmes at BAE Systems. "Instream expects to remove much of the business risk associated with the next generation of hydrokinetics because of its relationship with BAE Systems, BC Hydro and Powertech. Our ATC R&D experts are very excited to be involved with this cutting edge Canadian environmental technology. Innovation is core

to what BAE Systems does and Canada is a great place to be working with knowledge-based companies,” Rossall added.

BAE Systems is also currently partnering with leading Canadian companies, including DEW Engineering, Soucy, Thales Canada and others to offer best in class capability on priority vehicle programs for the Canadian Armed Forces. The company expects significant contract and subcontract work to be performed in Canada, expanding on the company’s history of partnership with Canadian industry.

About Instream Energy Systems

Instream Energy Systems is an early-stage renewable energy company focused on the development and commercialisation of proprietary hydrokinetic power generation systems and the production of low-cost power from moving water.

<http://www.instreamenergysystems.com>

For additional information, please contact:

Kelly Golden, BAE Systems

Tel +1 703 894 3569 Mobile +1 717 818 7400

kelly.golden@baesystems.com