



***FOR IMMEDIATE RELEASE***

May 1, 2010

McKenzie Bay International Ltd. (MKBY) is pleased to announce today that it has settled litigation filed against it in April 2009 in New Jersey by YA Global Investments LP (YA Global). In this lawsuit, YA Global alleged that it was owed more than \$6.5 million under a series of convertible debentures issued by MKBY between October 2005 and May 2006.

Under the settlement, effective as of April 21, 2010, MKBY issued an Amended and Restated Debenture in the original principal amount of \$3,250,000 in substitution for all obligations of MKBY's obligations under all prior convertible debentures it issued to YA. In addition, all other obligations of MKBY, under any warrants or other agreements with YA have been terminated and released. This Amended and Restated Debenture has a 3.5 year term and carries 0% interest unless there is an event of default, in which case interest shall have been deemed to accrue from issuance at an annual rate of 5% and at 12% during the continuance of an event of default. In addition, absent a default, the principal amount of the Amended and Restated Debenture will be considered paid in full if MKBY pays YA Global \$2.75 million in stock or cash on or prior to October 21, 2010. MKBY must make a minimum repayment of at least \$1.25 million on or before the second anniversary of the issue date of the Amended and Restated Debenture.

Currently an Escrow Agent is holding 20,331,287 shares of MKBY common stock (Escrowed Stock). During each of the first five months after the issuance of the Amended and Restated Debenture YA may elect to have transferred to it up to 4 million shares of Escrowed Stock and during the sixth month after the issuance date of the Amended and Restated Debenture, YA may elect to have transferred to it to the balance of the Escrowed Stock. YA will be permitted to sell up to a maximum of 4 million shares of the Escrowed Stock each month. Subject to certain conditions contained in the Amended and Restated Debenture, whether or not YA elects to have shares of Escrowed Stock transferred to it, during each of the first five months after the issuance of the Amended and Restated Debenture, the principal amount outstanding under the debenture will be reduced by the product of 4,000,000 multiplied by the volume-weighted average price (the VWAP) of MKBY's common stock during the applicable month. Similarly, during the sixth month after the issuance date of the Amended and Restated Debenture, subject to certain conditions contained in the Amended and Restated Debenture, the principal amount outstanding under the debenture will be reduced by the product of 331,287 multiplied by the VWAP of MKBY's common stock for the sixth month after the issuance date of the Amended and Restated Debenture.

After six months following the issuance date of the Amended and Restated Debenture, unless MKBY has paid YA Global in cash or stock of at least \$2.75 million, MKBY is required to pay YA the full amount of the Amended and Restated Debenture – \$3.25 million – by issuing to YA a minimum number of shares of MKBY common stock each month equal to the greater of i) 2 million shares or (ii) 20% of the aggregate trading volume of MKBY stock the preceding calendar month. Alternatively, MKBY may, in lieu of issuing such stock, pay their cash equivalent (determined based upon the VWAP of MKBY’s common stock during the month prior to the applicable month), and under certain circumstances may be required to pay cash in lieu of issuing the common stock. These payments or stock issuances will decrease the amount owing under the new debenture, in the case of stock issuances, in the amount equal to the VWAP of MKBY common stock for the applicable calendar month multiplied by the number of shares issued.

Pursuant to the Amended and Restated Debenture, YA is restricted from owning more than 9.9% of MKBY’s common stock at any one time and may not elect to have Escrowed Stock transferred to it or have other shares of MKBY common stock issued to it for payment if it would cause YA to exceed this limitation. To the extent that YA cannot accept MKBY stock solely because by doing so it will own more than 9.9% of MKBY, MKBY shall not be obligated to provide it with stock or cash until YA is able to accept additional MKBY stock, and the maturity date of the new debenture will be extended. MKBY is currently authorized to issue up to 300 million shares of common stock, of which 161,421,422 shares are issued and outstanding. MKBY has reserved, in addition to the Escrowed Stock, 70 million shares for issuance under the Amended and Restated Debenture. This reserve is not a cap or minimum regarding the actual number of shares that may be issued and the total number of shares issued may exceed or be less than such reserve.

“We are excited finally to reach an agreement that allows McKenzie Bay to put this dispute to rest,” said McKenzie Bay President Kevin Cook. “With this distraction behind us, McKenzie Bay will now be able to move forward with our new business plan, focusing on renewable energy technology and project development.”