

THE MILL

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Our group of Affiliate Companies now exceeds 150 with 'representation agreements' having been signed by over 30 individual firms. It is the "larger" companies that have acknowledged the importance of having the signed agreements. We had hoped to have at least 50 XAG ENERGY Affiliate Companies before making formal capacity presentations to target OEM customers, but we have recognized that many of you will quickly "jump on board" when the work begins to flow.

We have a contract now with Cykron who will also be managing the marketing, branding, and public relations for XAG ENERGY and whom we, of course, recommend to all of our Affiliates.

After discussions with some of the major OEMs, we find that they have very strict criteria to be met by their respective suppliers. As

a result, XAG ENERGY has entered into a contract with Garrad Hassan to provide a comprehensive supplier assessment that the OEM Turbine manufacturers will recognize. The content of to this assessment process, which will be known as NextGen Ready™, has been produced by the same Garrad Hassan analysts that conducted assessments in China for the European OEM Turbine manufacturers. There are others, particularly in the U.S., that are offering similar services, but appear to not have the blessing of the major OEMs.



Thanks to the leadership of Jeff Watson and the support of Sandra Pupatello, XAG ENERGY has submitted an application to the Community Adjustment Fund to help offset the costs of the NextGen Ready™ assessments for our 75 company pilot program. We all owe a special thanks to the Windsor Essex Development Commission (WEDC) who agreed to be our "not for profit partner" so that we could comply with the Community Adjustment Fund application requirements. We'll be contacting our Affiliates as soon as we receive the approval of our application.

Overcoming this "disconnect" between OEM and supplier in the fact that Turbine OEMs are very particular in their vendor/supplier capacity to comply with their individual specifications should bring our Affiliates a step closer to attracting manufacturing business.

Thanks to those of you who have provided prices for the VBINE Energy projects. Although no purchase orders have yet been



issued as a result, this process has been useful in helping define processes. XAG ENERGY has been instrumental in bringing VBINE business to Windsor and hopefully will produce purchase orders for our Affiliates before too much longer.

Cy McGrath, your first full time XAG sales representative and our VP of Sales, and myself, Ed Bernard, attended the American Wind Energy Association show in Chicago and found the show extremely reassuring in that we are most certainly going about developing ourselves in accordance with what the OEMs are looking for. Even more importantly, we confirmed that we are not falling behind our U.S. competitors, and in some ways, such as the NextGen Ready™ program, are being recognized as leaders.

Both Cy and myself have become members of the Canadian Wind Energy Association Manufacturing Committee and have begun contributing to Ministry of Energy as well as Ministry of Economic Development and Trade consultations on LOCAL CONTENT as well as new regulations evolving from the Green Energy Act that was released on May 12th, 2009.

Our next XAG Energy Group meeting will be held once funding approval for the NextGen Ready assessments is announced - we expect this about mid-July.

XAG ENERGY has been promoting our Affiliates' existing globally competitive capabilities to OEM Renewable Energy companies and will soon be able to assure them that the XAG Energy Affiliates have been Garrad Hassan assessed. Lastly, but of great significance, is the support we are starting to get from the wind farm developers for the XAG and NextGen Ready™ concepts. The enclosed letter from AIM PowerGen, one of the largest developers in Ontario, indicates the confidence that they have in what we at XAG are doing. Remember that we have moved into our new offices at 5150 Ure Street, just down from the Ciociaro Club, and you are welcome to drop in to see us. Our new phone number is 519-737-1010 and our new logo has been implemented. Your comments remain welcome and your patience and support as we continue to establish ourselves is most appreciated.

Sincerely,

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