Zacks Small-Cap Research

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XZERES Corporation (XPWR-OTCBB)

Having reported 5th consecutive quarter of 30%+ sequential revenue growth, **XPWR** continues to expand its distribution network, now into Continental Europe.

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	05/30/2011
Current Price (11/25/11)	$0.43
Six- Month Target Price	**$1.50**

OUTLOOK

XZERES is positioned to benefit from the growth of the small wind energy industry. Sequential quarterly sales growth continues to be very impressive, with the latest quarter exceeding 34%. Having established a foothold in the Southeast Asian market with a $3.2 million turbine order for island electrification in Vietnam, the company in now expanding in Europe, initially with the largest dealer in the attractive U.K. market and then with the largest dealer in the French market . We reiterate our Outperform rating and price target of $1.50

SUMMARY DATA

52-Week High	**$1.10**
52-Week Low	**$0.33**
One-Year Return (%)	**N/A**
Beta	**-0.28**
Average Daily Volume (shrs.)	**4,046**
Shares Outstanding (million)	**19**
Market Capitalization ($ mil.)	**$8**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2012 Estimate	**N/M**
P/E using 2013 Estimate	**N/M**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small - Growth**
Industry	**Other Alt. Energy**
Zacks Rank in Industry	**7 of 13**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (May)	Q2 (Aug)	Q3 (Nov)	Q4 (Feb)	Year (Feb)
2010	0.00 A	0.00 A	0.00 A	0.00 A	0.00 A
2011	0.00 A	0.36 A	0.47 A	0.65 A	1.48 A
2012	1.02 A	1.36 E	1.83 E	2.46 E	6.67 E
2013					19.12 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (May)	Q2 (Aug)	Q3 (Nov)	Q4 (Feb)	Year (Feb)
2010	-$0.00 A	-$0.00 A	-$0.00 A	-$0.01 A	-$0.01 A
2011	-$0.07 A	-$0.10 A	-$0.10 A	-$0.13 A	-$0.41 A
2012	-$0.11 A	-$0.09 A	-$0.09 E	-$0.08 E	-$0.37 E
2013					-$0.09 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Quarterly EPS may not equal annual EPS due to rounding.

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KEY POINTS

- XZERES Corporation is an engineered systems company, with a focus on clean and renewable energy. Currently, XZERES primarily designs, develops, manufactures and markets premium small wind turbine systems and related equipment for the generation of electrical power to a wide range of customers. In April 2011, the company acquired Rochester Power Saver and now also offers power efficiency products.
- The company's small wind systems are competitive, and in most cases, superior in terms of performance to other wind systems. When power curves are used in conjunction with published pricing of competing wind turbines, management can demonstrate that the XZERES system has a superior return on investment based on the company's metric of modified internal rate of return.
- XZERES utilizes multiple sales channels: the traditional dealer network, direct-to-consumer and distributor channels. The company has three websites, each targeting a specific market.
- Through innovative marketing initiatives, such as the Buy Direct program, the availability of financing through lending partners and the Micro-Generation Utility model, XZERES is stimulating sales of it small wind systems.
- Over the last three months, the company reported another strong quarter with 34.5% sequential revenue growth and announced significant dealer agreements with VG Energy, Ltd. (the largest distributed wind energy dealer in the U.K) and Weole Energy (the largest distributed wind energy dealer serving France).
- We reiterate our Outperform rating and price target of $1.50, which is based on a 5.2 price-to-sales valuation, the high-end of the expected range.
- Consult the initiation report dated May 30, 2011 for additional background information.

RECENT NEWS – WHAT'S NEW

On October 27, 2011, XZERES announced the signing of a **dealer agreement with Weole Energy**, the **largest distributed wind energy dealer serving France**. Having established distribution relationships in the UK, this agreement expands the company's presence into the distributed wind energy market of Continental Europe. Management plans to expand distribution throughout Continental Europe, including Germany and Italy, with similar dealer agreements in the near future. Ultimately, management intends to achieve a global sales and marketing footprint.

On October 17, 2011, XZERES reported results for the second fiscal quarter ending August 31, 2011. **Quarterly revenues sequentially increased 34.5%** to $1.368 million from $1.017 million, representing the **fifth consecutive quarter of 30%+ sequential revenue growth**. The company has aggressively expanded Sales and marketing efforts, targeting end-users, dealers and distributors. The gross profit margin sequentially contracted 123 basis points to 23.5% due to the expansion of sales and marketing support with sales expense increasing 13.9% and marketing expense increasing 11.4% sequentially. However, management expects the gross margin to rise substantially over the next two fiscal years as new products, services and business models are developed and deployed. XZERES reported a quarterly loss of $1.763 million or $0.09 per diluted share. During the first fiscal half, the company raised $3,678,461 through stock and warrant offerings.

In addition, there are significant opportunities in Asia for micro-grid island electrification applications. XZERES successfully completed an XZERES 442SR pilot project, which resulted in a $3.2 million turbine order in the Republic of Vietnam during the second fiscal quarter. XZERES is expected to continue to generate higher levels of sales in the coming quarters, with the VG Energy and Vietnam agreements alone expected to produce sales of more than $8 million over the next 12 months.

Management believes that the company will achieve profitability within the next three quarters, primarily due to the expectation of stable fixed costs since the necessary infrastructure is in place to drive the sales growth plan. Sequential G&A and R&D expenses actually declined in the second fiscal quarter. Management's internal goal (not guidance) is to generate over $5.9 million in revenues during fiscal 2012. In addition, management expects that ultimately, the majority of sales will be through the direct channel, leading to a higher gross margin.

On September 20, 2011, XZERES announced that a Letter of Intent was signed for an **exclusive dealer arrangement with VG Energy, Ltd., the largest distributed wind energy dealer in the U.K.** The agreement requires a minimum of $5.0 million in turbines to be purchased from XZERES over the next 15 months in order to maintain the exclusivity in certain areas of the United Kingdom.

With a dominant market share (roughly 36%) in the 15 kW-to-100 kW segment, VG Energy will utilize XZERES wind turbine products to address the 6.1 kW-to-15 kW market in the U.K. The agreement further improves the confidence that XZERES can maintain very high sequential quarter top-line growth above 35%.

Importantly, the President of VG Energy, Jim Paterson, stated that XZERES products are "the most reliable and dependable wind turbines that we have found after extensive market research around the World." This comment is a testament to the quality of the XZERES product line.

Within three weeks of the agreement's announcement, VG Energy placed its first order for $360,000 due to unique industry dynamics (see Update of International Markets section below).

On August 18, 2011, XZERES announced the expansion of the European and international sales team at its office in Glasgow, Scotland. The sales team complements and strengthens the company's direct-to-end-user customer distribution model in the U.K and enables a stronger presence in Continental Europe. Additionally, management plans to expand into Eastern Europe over the next year.

On August 10, 2011, XZERES announced that it has received a Letter of Intent for a $3.2 million turbine order from a customer in Vietnam. After the successful completion of a pilot program of a single unit for three months, the customer has decided to move forward. Other wind power companies have pursued this opportunity and failed. However, due to the high level of service and the quality of the 442SR 10-kilowatt wind system, XZERES was able to achieve this milestone.

The potential for additional follow-on orders is high. Though the announced order is for 11 units, the project for remote island electrification in Vietnam is expected to total 100 turbines. Management expects that these 100 turbines may be delivered over the next 17 months. In addition, the ultimate potential may even be more substantial since there are over 3,000 islands in Vietnam that need power.

There are significant opportunities for micro-grid island electrification applications elsewhere in Asia, especially in the Philippines and Japan. Vietnam will serve as a working model for potential customers, and management is planning to actively pursue and develop these prospects.

OVERVIEW

Based in Wilsonville, Oregon[1], XZERES Corporation (XPWR: OTCBB) designs, develops, manufactures and markets premium small wind turbine systems and related equipment for the generation of electrical power to a wide range of customers: residential, commercial, municipal, rural, agricultural, etc. In April 2011, the company acquired the assets of Rochester Power Saver, a manufacturer and distributor of

[1] Though based in Oregon, XZERES Wind Corporation is incorporated in Nevada.

power savers. The acquisition broadens the company's small wind systems product lines (the Wind Power Division) with the addition of power efficiency products (Power Management Division) that are designed to improve the power factor for both business and residential customers. Power saver products also act as surge suppression devices. The power management devices are offered both separately and in tandem with wind turbine systems.

Management's goal is to become a global, diversified engineered systems company, with a focus on clean and renewable energy, and primarily through acquisitions. Originally incorporated an oil & gas production company in 1984[2], the company began to focus on renewable energy in late 2008 and was renamed Cascade Wind Corp., Inc. After a developmental period, the company acquired the wind energy assets of Abundant Renewable Energy, LLC on March 25, 2010, and subsequently was renamed XZERES Wind Corp. After the acquisition of Rochester Power Saver, the company was renamed XZERES Corp.

The **Wind Power Division** focuses on the small wind market, which encompasses wind-powered turbines that are capable of producing up to 100 kilowatts[3] (kW). XZERES manufactures and assembles wind turbine systems, towers and various wind power system components, including controllers, inverters and lightning protection equipment. The company currently offers two power ratings of small wind turbines: the **XZERES 110** (2.5 kW) and the **XZERES 442SR** (10 kW). Approximately 150 wind turbines have been deployed.

In August 2010, Frank Greco, former CEO of Southwest Windpower, was appointed Chief Executive Officer. Within a few months, XZERES rapidly developed with the implementation of a **Direct Buy** program, the initiation of a consumer **financing** option, the launch of **WindRx**™ site assessment tool both in the UK and US, and the creation of the **Micro-Generation Utility** business model, all between November 2010 and January 2011. The addition of Frank Greco to the team of co-founders of David Baker and Steve Shum synergistically accelerated the company's progress with the creation and implementation of non-typical industry sales and business models, including the expansion into multiple sales channels in the United States and opening a European subsidiary, XZERES Wind Europe Ltd., in January 2011.

The **Power Management Division** was formed with the acquisition of Rochester Power Saver in April 2011. The Division manufactures and markets power efficiency products, which are designed to improve the power factor for commercial and light-industrial customers, who should benefit from a 10% to 20% reduction in electricity costs. The products can also be used by residential customers as power conditioners (by smoothing voltage spikes) and as central surge suppressors. The power management devices are marketed both separately and in tandem with the company's wind turbine systems.

XZERES acquired Rochester Power Saver on April 25, 2011 for $450,000 worth of common stock and $50,000 in cash, along with a 5% royalty on gross profits over the next 24 months, up to a maximum of $150,000. The acquisition broadened the company's small wind systems product lines with the addition of power saver products. The Rochester Power Saver product line consists of several models with different capacity ratings with price points between $500 and $2,900. Payback periods range between 6 and 24 months.

Sequential quarterly sales growth for the first four quarters of operations has been impressive. The company's initial selling efforts began during the 2011 fiscal year, near the end of first fiscal quarter ending May 31, 2010 and resulted in $361,484 in completed sales during the second quarter, which ended August 31, 2010. Strong 30.4% sequential quarterly sales growth followed in the third fiscal quarter ending November 30, 2010. Due to continued marketing efforts and the implementation of the

[2] XZERES Wind was originally incorporated in New Mexico as Intermountain Refining Company.

[3] A kilowatt is a unit of energy equal to 1,000 watt s. A watt is defined as one joule per second and defines the rate at which work is done according the formula: W = V x A (watts = volts x amperes).

Buy Direct program, among others, sequential quarterly sales increased 38.2% in the fourth fiscal quarter, 56.1%.% in the first fiscal quarter of 2012, and 34.5% in the latest reported quarter.

The small wind industry is an emerging growth industry with industry sales expected to increase at least 20% per year. As market penetration increases, market participants with proven, established and certified products, like XZERES, should experience exponential sales growth and achieve profitability. Due to the many initiatives recently implemented and also planned for fiscal 2012, **we expect that the company's sequential sales growth rate will continue to be at least 34% during fiscal 2012**.

UPDATE ON INTERNATIONAL MARKETS

XZERES entered the European wind market in early 2011. In January, XZERES opened its European subsidiary, Wind Europe Ltd., in Dublin, Ireland, and in the same month, the company announced its first order (five units for delivery in the UK). The XZERES 442SR small wind power system is accredited to the Microgeneration Certification Scheme (MCS), which qualifies the system for the government sponsored feed-in tariffs (FiT) in England, Scotland and Wales. In addition, the XZERES 442SR achieved the CE Mark[4] (Conformite Europeene), a certification that allows it to be marketed and sold throughout the European Union. The company's foray into the UK market was bolstered in April by the launch of its United Kingdom website (www.xzeres.co.uk), which includes the company's assessment tool, XZERES WindRx™.

Residents of **England, Scotland and Wales** have access to one of the best feed-in-tariff schemes in the world. Emulating the successful Western European feed-in-tariff models, the UK Department of Energy and Climate Change offers financial incentives to stimulate residential investment in renewable energy sources, including small wind turbines. To be entitled to claim feed-in-tariffs, the qualifying product must be accredited to the MCS and installed by a MCS approved installer. Each small wind turbine (with a rated capacity between 1.5 kW and 15kW) is able to receive 28 pence per kilowatt hour (kWh) for all renewable electricity generated. In addition to receiving the FiT, the electricity used on-site lowers one's energy bill and the electricity fed back into the grid entitles the operator an additional 3 pence per kWh. After the system is registered, the tariff levels are guaranteed for the period of the tariff and index-linked. In addition, the income is tax free for individuals and for businesses the capital expenditure qualifies for writing down allowances. Management estimates that the XZERES 442SR wind energy system can receive £10,000 ($16,400) annually for 20 years based on annual wind speeds of 6.5 meters/second (m/s) and assuming half of the energy is used on-site and the other half is sold to the UK national grid.

The WindRx™ web-based software platform on the company's UK web site provides financial benefit analysis specifically tailored for the UK. The potential customer enters his address and monthly electricity usage; WindRx™ then estimates the potential energy production from an XZERES wind energy system at that location and calculates the value of the energy savings. The analysis incorporates the FiT payments that will be paid by the British government for 20 years. **In May 2011, XZERES shipped its first container holding nine 442SR small wind power systems to the United Kingdom.**

XZERES has established the infrastructure to enter the small wind market in the United Kingdom. Having received MCS certification and launched the UK web site for direct sales opportunities, the company has also begun to develop other distribution channels by signing 10 dealer partners. **In August 2011, the company announced the expansion of its sales force in its office in Glasgow, Scotland in order to accelerate European and international sales.**

[4] The CE Mark indicates that a product has met or exceeded the health, safety and environmental requirements of the European Union.

In September 2010, XZERES signed an **exclusive dealer arrangement with VG Energy, Ltd**., the largest distributed wind energy dealer in the U.K. with a dominant market share (roughly 36%) in the 15 kW-to-100 kW segment. The agreement includes a requirement for a minimum of $5.0 million in turbines to be purchased from XZERES over the next 15 months. **Within three weeks of the agreement's announcement, VG Energy placed its first order for $360,000**, in part due to a third-party (Hutchinson Engineering) having designed an adapter plate that allows the XZERES 442SR wind turbine to be installed on towers designed for the Proven P-35/2 turbine, including existing towers. Last month, Proven Energy, which has since been bought by Kingspan Renewables, announced that its Proven P-35/2 turbines are subject to a potential metal-fatigue shaft defects. This unfortunate turn of events for Proven Energy may prove to be an opportunity for XZERES, since the P35-2 model may lose MCS Certification. Demand for small wind turbine systems in the UK remains high due to the attractive feed-in-tariff program, which offers a 15%+ annual ROI for 20 years when MCS-compliant wind systems are installed and operated.

Management is planning on extending its presence into the European Union (EU). All 37 countries in the EU have feed-in tariffs, with Germany, Spain, Italy, Portugal and France having accelerated the addition of new capacity in the last few years. On the other hand, in the 1970's, Denmark made the commitment to eventually produce half of the country's power by wind and currently generates almost 20% of its electricity with wind turbines (the highest percentage of any country). In late October 2011, XZERES signed a **dealer agreement with Weole Energy**, the **largest distributed wind energy dealer serving France**. Management plans to expand throughout Continental Europe and use multiple distribution channels, including dealers, distributors and possibly even forming a joint venture.

Management has plans to expand globally in phases. With the groundwork having been laid for Europe, management plans to next expand into the international markets of **Asia**, specifically Vietnam, Japan, South Korea and the Philippines. The company is pursuing leads for island electrification projects and other off-grid applications, such as desalinization projects, in these countries. In August 2011, after the successful completion of a pilot program of a single unit for three months, **XZERES announced the receipt of a $3.2 million turbine order for island electrification in Vietnam.** Also, management continues to research and plan the company's eventual entry into the Chinese and Indian markets. Management is keenly aware of China's micro-grid electrification project and wishes to benefit from its implementation, but also is mindful that China has mandated a local content requirement law as a mechanism to foster the domestic production of turbines and other components. Currently, the Chinese government requires that almost 70% of turbine components, including rotor blades, be sources from domestic Chinese manufacturers. Ultimately, management intends to achieve a global sales and marketing footprint.

VALUATION

The appropriate valuation methodology for XZERES is based on price-to-sales (P/S) due the character of the company's enterprise, namely a small-capitalization company with current negative profitability, but with a sales profile that should experience rapid growth through management's ramp up of multiple distribution channels for both the company's small wind systems and power efficiency products, along with potentially further acquisitions. Ultimately, the growing revenue stream should manifest itself into positive earnings. Based on historical norms for similar emerging growth companies, we expect a price-to-sales valuation range between 2.8 and 5.2. The sales base of XZERES is challenging to determine, since the company is growing revenues at an exponential pace. Therefore, we are annualizing the two highest confidence quarters: the latest reported quarter and the next quarter to be reported. Our $1.50 price target is based on a 5.2 price-to-sales ratio valuation.

The valuation process for small and mid-cap companies serving the alternative energy industry is based upon profiling the potential level of a specific company's profitability through gross margin analysis, and then applying that input to a price-to-sales valuation methodology. The gross margin indicates a

company’s structural cost advantage based on cost of goods sold. Analyzing a company's level of profitability is often the most important aspect of equity valuation analysis. The overall gross margin of XZERES was 23.5% in the latest reported fiscal quarter.

Price-to-sales valuation also incorporates a company’s ability to increase revenues and gain market share. Given management’s stated business plan is to become a global, diversified engineered systems company, with a focus on clean and renewable energy and to increase the sales base and growth potential by acquisitions, XZERES is expected to expand its sales base significantly. The sequential quarterly sales growth rate is very impressive. Comparable companies have a historical price-to-sales valuation range between 2.8 and 5.2. Since the company has consistently reported increasing sequential quarterly sales growth above 30%, the high-end of the range is being used to determine our target price of $1.50 (a 5.2 price-to-sales ratio).

PROJECTED INCOME STATEMENT & BALANCE SHEET

XZERES Corporation

Annual Earnings Analysis For the years ending February 28 (in $ US)	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012 E**	**FY 2013 E**
Revenue:	**0**	**0**	**0**	**1,489,061**	**6,674,308**	**19,120,541**
Cost of sales	0	0	0	1,099,456	5,081,701	12,237,146
Gross Profit	**0**	**0**	**0**	**389,605**	**1,592,608**	**6,883,395**
General & administrative	0	209,274	70,607	3,157,018	4,300,690	4,386,758
Marketing	0	0	0	172,158	407,008	456,795
Sales expense	0	0	0	629,580	1,495,313	1,780,464
Engineering/R&D expense	0	0	0	1,480,585	2,369,925	2,365,302
Total Expenses	**0**	**209,274**	**70,607**	**5,439,341**	**8,572,936**	**8,989,319**
Pre-tax profit from operations	**0**	**(209,274)**	**(70,607)**	**(5,049,736)**	**(6,980,328)**	**(2,105,925)**
Interest income (expense)	**0**	**0**	**0**	**0**	**0**	**0**
Other Income	**0**	**0**	**0**	**3,332**	**(54,522)**	**3,700**
Income (loss) Continuing Operations	**0**	**(209,274)**	**(70,607)**	**(5,046,404)**	**(7,034,850)**	**(2,102,225)**
Income (loss) from Discontinued Operations	42,771	(237,495)	2,229	0	0	0
Other comprehensive income	6,019	(40,425)	0	0	0	0
Provision for income taxes	0	0	0	0	0	0
Net income for the year	**48,790**	**(487,194)**	**(68,378)**	**(5,046,404)**	**(7,034,850)**	**(2,102,225)**
Net income per common share (diluted)	**0.04**	**(0.19)**	**(0.01)**	**(0.41)**	**(0.37)**	**(0.09)**
Net income per common share (diluted) continuing operations	**0.00**	**(0.08)**	**(0.02)**	**(0.41)**	**(0.37)**	**(0.09)**
Weighted average common shares outstanding - diluted	1,155,609	2,529,933	4,652,643	12,447,305	19,210,001	23,500,000
Gross Margin	**N/M**	**N/M**	**N/M**	**26.2%**	**23.9%**	**36.0%**

XZERES Corporation

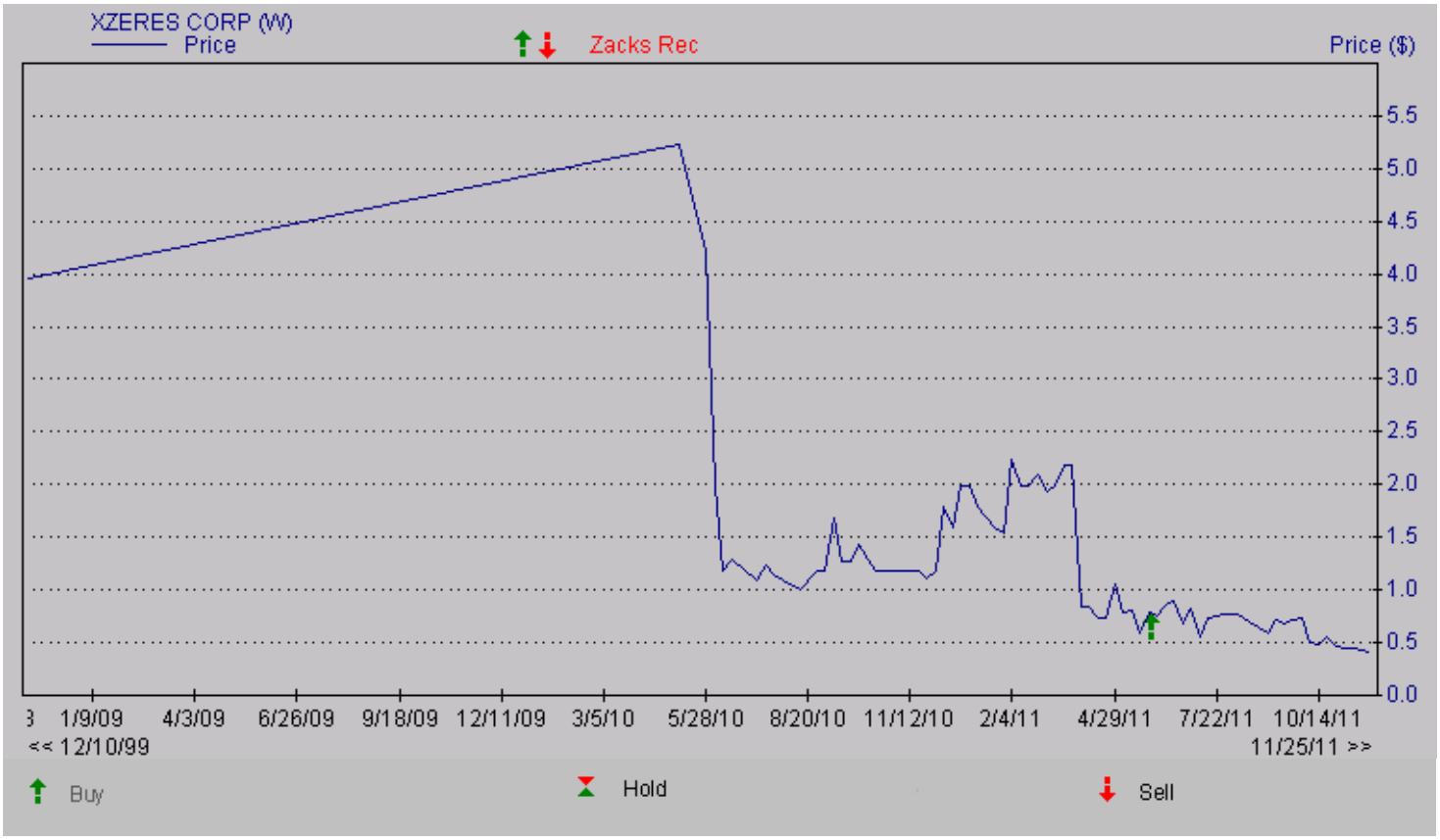
Quarterly Earnings Analysis	1Q 2011 (May 31)	2Q 2011 (Aug 31)	3Q 2011 (Nov 30)	4Q 2011 (Feb 28)	**FY 2011** (Feb 28)	1Q 2012 (May 31)	2Q 2012 (Aug 31)	3Q E 2012 (Nov 30)	4Q E 2012 (Feb 28)	**FY E 2012** (Feb 28)
Revenue:	**4,385**	**361,484**	**471,534**	**651,658**	**1,489,061**	**1,017,217**	**1,367,901**	**1,832,987**	**2,456,203**	**6,674,308**
Cost of sales	1,709	276,309	352,832	468,606	**1,099,456**	765,781	1,046,669	1,402,536	1,866,714	**5,081,701**
Gross Profit	**2,676**	**85,175**	**118,702**	**183,052**	**389,605**	**251,436**	**321,232**	**430,451**	**589,489**	**1,592,608**
General & administrative	508,423	782,296	696,471	1,169,828	**3,157,018**	1,177,879	1,025,478	1,040,860	1,056,473	**4,300,690**
Marketing	35,596	72,688	41,173	22,701	**172,158**	92,668	103,224	104,772	106,344	**407,008**
Sales expense	23,034	152,325	232,885	221,336	**629,580**	325,817	370,974	389,523	408,999	**1,495,313**
Engineering/R&D expense	77,953	403,906	420,693	578,033	**1,480,585**	639,583	571,051	576,762	582,529	**2,369,925**
Total Expenses	**645,006**	**1,411,215**	**1,391,222**	**1,991,898**	**5,439,341**	**2,235,947**	**2,070,727**	**2,111,917**	**2,154,345**	**8,572,936**
Pre-tax profit from operations	**(642,330)**	**(1,326,040)**	**(1,272,520)**	**(1,808,846)**	**(5,049,736)**	**(1,984,511)**	**(1,749,495)**	**(1,681,466)**	**(1,564,856)**	**(6,980,328)**
Interest income (expense)	0	0	0	(51,236)	**(51,236)**	0	0	0	0	**0**
Other Income	1,074	2,143	918	(803)	**3,332**	(14,187)	(13,445)	(13,445)	(13,445)	**(54,522)**
Income (loss) Continuing Operations	**(641,256)**	**(1,323,897)**	**(1,271,602)**	**(1,860,885)**	**(5,097,640)**	**(1,998,698)**	**(1,762,940)**	**(1,694,911)**	**(1,578,301)**	**(7,034,850)**
Income (loss) from Discontinued Operations	0	0	0	0	**0**	0	0	0	0	**0**
Provision for income taxes	0	0	0	0	**0**	0	0	0	0	**0**
Net income for the year	**(641,256)**	**(1,323,897)**	**(1,271,602)**	**(1,860,885)**	**(5,097,640)**	**(1,998,698)**	**(1,762,940)**	**(1,694,911)**	**(1,578,301)**	**(7,034,850)**
Net income per common share (diluted)	**(0.07)**	**(0.10)**	**(0.10)**	**(0.14)**	**(0.41)**	**(0.11)**	**(0.09)**	**(0.09)**	**(0.08)**	**(0.37)**
Weighted average common shares outstanding - diluted	9,486,919	13,280,255	13,280,255	13,741,790	**12,447,305**	18,031,530	19,302,825	19,502,825	20,002,825	**19,210,001**
Gross Margin	61.0%	23.6%	25.2%	28.1%	**26.2%**	24.7%	23.5%	23.5%	24.0%	**23.9%**

XZERES Corporation

Consolidated Balance Sheets (in $ US)

For the years ending February 28	**2008**	**2009**	**2010**	**2011**	**2012 E**
ASSETS					
Cash and cash equivalents	0	1,978	195,990	364,068	400,000
Accounts receivable (net)	0	0	0	633,669	2,118,989
Inventories	0	0	0	502,548	1,488,989
Inventory deposit	0	0	0	40,066	152,251
Prepaid expense	0	0	0	110,281	419,068
Current Assets	0	1,978	195,990	1,650,632	4,579,297
Property, plant & equipment (net)	0	0	0	375,115	489,428
Intellectual property	0	0	0	1,320,226	1,603,082
Website development costs (net)	0	0	0	18,234	10,000
Deposits	0	0	0	18,198	18,198
Net assets of discontinued operations	2,847,226	0	0	0	0
Total Assets	**2,847,226**	**1,978**	**195,990**	**3,382,405**	**6,700,005**
LIABILITIES					
Accounts payable	0	0	0	600,451	1,950,000
Accrued expenses	0	161,093	337,578	107,277	110,000
Customer deposits	0	0	0	48,228	38,000
Warranty reserve	0	0	0	16,601	12,400
Notes payable to related party	0	5,140	0	97,500	0
Notes payable	0	0	90,740	100,000	32,000
Net liabilities of discontinued operations	35,674	0	0	0	0
Current Liabilities	35,674	166,233	428,318	970,057	2,142,400
Preferred stock	0	0	0	0	0
Common stock	0	4,652	4,683	15,383	20,775
Stock warrants	0	0	0	1,565,054	4,000,000
Additional paid in capital	1,455,314	40,367	40,641	6,207,203	12,946,972
Retained earnings (deficit)	1,315,813	(209,274)	(277,652)	(5,375,292)	(12,410,142)
Accumulated other comprehensive income	40,425	0	0	0	0
SHAREHOLDERS' EQUITY	2,811,552	(164,255)	(232,328)	2,412,348	4,557,604
Total Liabilities and Equity	**2,847,226**	**1,978**	**195,990**	**3,382,405**	**6,700,004**
Common shares outstanding	1,155,609	4,651,978	4,682,602	15,382,816	20,000,000

HISTORICAL ZACKS RECOMMENDATIONS



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