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TO OUR SHAREHOLDERS:

Fiscal year 2007 represented a year of solid execution and growth in almost all aspects of *PowerAvenue Corp.* business. We believe we have uniquely positioned *PowerAvenue* as the leader in future of clean energy.

PowerAvenue in 2007 has been successful in accomplishing two of its short-term objectives namely the completion of the hydrogen reactor prototype (see picture 1) and the development of the conceptual design of a one megawatt power plant, poised for – *Hydrogen Economy*

The hydrogen reactor prototype was developed to convert silicon to hydrogen at 1-kg and 5-kg capacities. Silicon proves to be optimal with respect to handling and energy density relative to hydrogen storage and generation. Furthermore, the price of electricity in the sequence $SiO_2 > Si > H_2 > Electricity$ decreases proportionally with the costs for the production of silicon.

Our expectations for a solar thermally produced carrier manufactured from conventional sand permit us to predict an unbeatable cost profile for silicon in the future. It is technically possible to generate hydrogen directly from silicon at any location of choice avoiding the transport and storage difficulties encountered with conventional power stations and stationary/mobile fuel cells. Thus, silicon successfully acts as a tailor-made intermediate linking decentrally operating renewable energy generation with equally decentrally organized hydrogen-based infrastructure at any location of choice.

Additionally, in the past year, the PEM fuel-cell based one and five megawatt power plant concept was developed for powering medium-sized commercial and industrial buildings either as a self-contained power source or a load balancing system. This concept is currently under development and engineering and construction details are being expanded.



Pict. 1: PowerAvenue
Hydrogen reactor prototype

The *PowerAvenue* design has the flexibility of utilizing fuel at various stages of development. It can utilize hydrogen, silicon or sand as the raw stock for energy generation. Another clear advantage of employing PEM fuel cells in the design of power plants is the low operating temperature which eliminates many of the waste heat cooling requirements.

I invite you to visit our web site www.poweravenuecorp.com to learn more about the items mentioned above and more on; products, facilities and applications. Included in reports and briefings are: executive presentation, comprehensive corporate report, hydrogen from sand, comprehensive listing of patents (valuable corporate asset), and peer reviewed reports presented at an international conference on *PowerAvenue* fuel cells and approach to *Hydrogen Economy*.



Pict. 2: PowerAvenue Fuel Cell Modules of 50 W, 150 W and 300 W

We routinely evaluate the most effective use of our technology and assets. Our Board of Directors considers both future growth opportunities for *PowerAvenue* as well as the requirement to provide an attractive return on investment to our shareholders.

PowerAvenue is set to become the #1 hydrogen-fuel cell company in the world by focusing on our core strategies of value-added education, innovative investment and flawless execution. In 2007, our overall corporate strategies evolved to focus on *PowerAvenue's* ability to enable, innovate and grow. We expect growth to come from continued investment in innovation, with an emphasis on solutions to energy issues. We will also invest in infrastructure to solidify our position as the low-cost manufacturer in the industry.

PowerAvenue plans to issue IPO in 2008. The feasibility and scheduling process is currently under discussion with SunTrust Robinson Humphrey investment bank.

It is important to realize that these initiatives do not exist in individual vacuums; they are purposefully interrelated. We expect to invest in activities tied to these initiatives. They represent the road map to our future; we strongly believe that focusing on our ability to enable, to innovate and to grow will put *PowerAvenue* in an excellent position to maintain our business success and industry leadership position. Executing our strategic initiatives should enable us to continue to grow our business and deliver value to our stockholders.

Sincerely,

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