

Finavera Renewables Inc.
(a development stage company)

Consolidated Financial Statements
September 30, 2007
(Unaudited - expressed in Canadian dollars)

Finavera Renewables Inc.

(a development stage company)

Consolidated Balance Sheets

(Unaudited - expressed in Canadian dollars)

	September 30, 2007 \$	December 31, 2006 \$ (audited)
Assets		
Current assets		
Cash and cash equivalents	298,305	1,358,128
Restricted cash (note 2)	313,459	52,285
Term deposits	586,903	1,251,233
Receivables	403,423	228,751
Prepaid expenses	168,289	43,926
	<u>1,770,379</u>	<u>2,934,323</u>
Investment (note 5)	278,236	278,236
Property and equipment	273,212	71,604
AquaBuOY technology (note 3)	1	6,494,215
Intangible assets (Note 6)	1,772,546	-
Other assets (Note 6)	1,800,000	-
	<u>5,894,374</u>	<u>9,778,378</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,792,143	1,891,070
Notes payable (note 7)	-	242,795
	<u>4,792,143</u>	<u>2,133,865</u>
Future income taxes (note 9)	512,778	-
	<u>5,304,921</u>	<u>2,133,865</u>
Shareholders' Equity		
Capital stock (note 8)	18,673,055	13,124,938
Warrants (note 8(c))	4,123,172	845,291
Contributed surplus (note 8(d))	4,024,748	2,952,049
Accumulated Other Comprehensive Income	5,464	5,464
Deficit accumulated during the development stage	<u>(26,236,986)</u>	<u>(9,283,229)</u>
	<u>589,453</u>	<u>7,644,513</u>
	<u>5,894,374</u>	<u>9,778,378</u>
Nature of operations and going concern (note 1)		
Contingencies (note 12)		
Subsequent events (note 13)		

On behalf of the Board of Directors

(Signed) Jason Bak Director

(Signed) Bertan Atalay Director

The accompanying notes are an integral part of these consolidated statements.

Finavera Renewables Inc.

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Consolidated Statements of Operations and Deficit

For the three and nine month periods ended September 30

(Unaudited - expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2007 \$	2006 \$	2007 \$	2006 \$
Operating expenses				
Advertising	53,363	-	103,914	767
Amortization of intangible assets	196,949	380,624	923,539	380,624
Amortization of property and equipment	13,270	553	26,503	18,737
Consulting and personnel	100,613	305,834	792,547	570,639
Foreign exchange (gain) loss	(115,337)	41,038	(177,686)	41,038
Insurance	56,362	-	88,851	-
Investor relations	124,791	5,564	160,572	5,664
Write-down of intangible assets	5,767,624	-	5,767,624	-
Office and administration	221,291	99,114	432,051	352,156
Payroll	359,602	-	359,602	-
Professional fees	497,308	193,896	1,195,008	289,194
Development project costs (note 4)	3,235,646	288,639	6,685,798	453,466
Rent	62,793	20,936	130,369	25,880
Stock-based compensation	93,748	123,823	93,748	545,269
Travel	106,547	43,238	439,987	78,364
Transfer agent and filing fees	25,787	86	42,855	86
Loss before undernoted item	(10,800,357)	(1,503,345)	(17,065,282)	(2,761,884)
Interest income (expense)	17,488	(4,094)	97,699	(3,945)
Gain on settlement of notes payable	-	-	13,826	-
Grants	-	11,077	-	11,077
Loss and comprehensive loss for the period	(10,782,869)	(1,496,362)	(16,953,757)	(2,754,752)
Deficit - Beginning of period	(15,454,117)	(3,514,564)	(9,283,229)	(2,256,174)
Deficit - End of period	(26,236,986)	(5,010,926)	(26,236,986)	(5,010,926)
Loss per share- basic and diluted	(0.06)	(0.02)	(0.10)	(0.03)
Weighted average number of common shares outstanding- basic and diluted	171,677,656	91,325,375	166,543,317	85,946,250

The accompanying notes are an integral part of these consolidated statements.

Finavera Renewables Inc.

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Consolidated Statements of Cash Flows

For the three and nine month periods ended September 30

(Unaudited - expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities				
Loss for the period	(10,782,869)	(1,496,362)	(16,953,757)	(2,754,752)
Items not affecting cash				
Amortization	210,219	381,177	950,042	399,361
Write-down of intangible assets	5,767,624	-	5,767,624	-
Gain on settlement of notes payable	-	-	(13,826)	-
Stock-based compensation	93,748	123,823	93,748	545,269
	(4,711,278)	(991,362)	(10,156,169)	(1,810,122)
Changes in non-cash working capital items				
Receivables	(130,354)	144,258	(174,672)	58,903
Prepaid expenses	106,069	(56,717)	(124,363)	(57,117)
Accounts payable and accrued liabilities	1,817,315	(524,206)	2,901,073	171,849
	(2,918,248)	(1,428,027)	(7,554,131)	(1,636,487)
Cash flows from investing activities				
Property and equipment acquired	(134,160)	(7,628)	(228,111)	(28,235)
Investment	-	1,737	-	(19,826)
Term deposit	2,457,593	-	664,330	-
Notes payable	-	(111,500)	(228,969)	-
Acquisition of intangible assets	-	-	(1,969,495)	-
Acquisition of other assets	-	-	(1,800,000)	-
Acquisition of Aquaenergy Group Ltd.	-	-	-	(647,363)
	2,323,433	(117,391)	(3,562,245)	(695,424)
Cash flows from financing activities				
Issuance of units and capital stock - net of issue costs	123,353	2,731,697	10,317,727	3,499,326
Restricted cash	(289,985)	11,668	(261,174)	(16,387)
	(166,632)	2,743,365	10,056,553	3,482,939
(Decrease) increase in cash and cash equivalents	(819,565)	1,197,947	(1,059,823)	1,151,028
Cash and cash equivalents - Beginning of period	1,117,870	343,403	1,358,128	390,322
Cash and cash equivalents - End of period	298,305	1,541,350	298,305	1,541,350

The accompanying notes are an integral part of these consolidated statements.

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Finavera Renewables Inc.

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

1 Nature of operations and going concern

Finavera Renewables Inc. (“FVR” or the “Company”) was created on December 15, 2006 by the reverse takeover (“RTO”) of Finavera Renewables Limited (“Finavera”), an Irish company, by TSX listed Cascade Minerals Inc. (“Cascade”). Cascade was a Capital Pool Company on the TSX-V and, accordingly, had no assets other than cash and no commercial operations. The Company’s primary focus is the development of wind power systems and wave technologies primarily in Canada, Ireland and the United States. The Company is in the start up and development phase as most of its efforts have been devoted to research and development, raising capital and recruitment of personnel. Accordingly, it has not generated any income and relies entirely on its shareholders, investors and related parties for financing.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the realization of assets and discharge of liabilities in the normal course of business. The company has incurred losses since inception, has a working capital deficiency of \$3,021,764 at September 30, 2007 and has an accumulated deficit of \$26,236,986. To date, the company has relied upon on raising equity financing for financial support.

In order to execute its business plan, management plans to undertake additional equity financing. The Company is currently attempting to raise financing to support its immediate needs. There is no assurance that the company will be able to complete its proposed financing or complete a financing at a lesser amount, and it may not be able to complete financing on terms acceptable to management.

As a result of these factors, substantial doubt exists as to the ability of the company to continue to operate as a going concern. These consolidated financial statements do not give effect to any adjustments that would be necessary should the company not be able to continue as a going concern.

If the company concludes that the going concern assumption is not appropriate, then adjustments may be necessary in the carrying value of assets and liabilities and the reported results and balance sheet classifications used. Such adjustments could be material.

Basis of presentation and reverse takeover accounting

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Finavera. The RTO was completed on December 15, 2006 and concurrently, a private placement of 7,514,336 flow-through common shares at \$0.20 per share for total proceeds of \$1,502,867 was completed. As at December 31, 2006, RTO closing costs of \$645,043 were allocated as \$248,842 to share capital, and \$396,201 to expense.

Following shareholder, Board, regulatory and judicial approvals, and effective on the RTO date, Cascade and Finavera Energy Canada Inc., a wholly owned subsidiary of Finavera, amalgamated to form Finavera Renewables Inc. Pursuant to the RTO, the Company issued 101,171,335 common shares to acquire the outstanding share capital of Finavera (17,872,268 shares), at a ratio of 5.6608 Company shares for each Finavera share outstanding.

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Nine months ended September 30, 2007

In addition to the issuance of shares to acquire Finavera through the RTO, Finavera had certain commitments to issue shares in settlement of debts, fees and convertible notes. Most of these commitments arose as a consequence of Finavera's acquisition of U.S. based AquaEnergy Group, Ltd. ("AquaEnergy") on June 9, 2006 (note 3). Effective as at December 15, 2006, all convertible notes and commitments to issue shares became obligations of the Company and were extinguished directly by the Company's issuance of 28,314,240 shares valued at \$7,659,767.

The acquisition of the shares of Finavera has been accounted for as a RTO transaction in accordance with guidance provided in Emerging Issues Committee Abstract No. 10. As Cascade did not qualify as a business for accounting purposes, the transaction has been accounted for as an issuance of shares and options by Finavera for the net monetary assets of Cascade, accompanied by a recapitalization of the Company.

The fair value of the net assets acquired is as follows:

	\$
Cash	248,842
Other receivables	2,533
Current liabilities	<u>(20,260)</u>
Net assets acquired	<u>231,115</u>

Further to the RTO transaction, these consolidated financial statements for the periods ended September 30, 2007 reflect the consolidated results of operations of the Company and Finavera. The comparative figures for the periods ended September 30, 2006 reflect the assets, liabilities and results of operations of Finavera, the legal subsidiary, and the results of operations of Aquaenergy from the date of acquisition June 9, 2006 to September 30, 2006. The consolidated financial statements are issued under the name of the legal parent (the Company) but are deemed to be a continuation of the legal subsidiary (Finavera).

2 Significant accounting policies

These interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, using the same accounting policies as for the annual financial statements for the year ended December 31, 2006. Within those policies, the method of translation for one subsidiary changed effective January 1, 2007, from the current rate method to the temporal method, as the subsidiary is now considered an integrated operation. These interim financial statements should be read in conjunction with the most recent annual financial statements of the Company.

The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of those to be expected for the entire year ending December 31, 2007.

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

Flow-Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related wind resource expenditures. When wind resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a company has sufficient unused tax losses and deductions (“losses”) to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures. 7,514,336 flow-through shares were issued for consideration of \$1,502,867 in 2006 and were subsequently renounced in 2007 for tax purposes.

Restricted Cash

Restricted cash of \$313,459 consists of term deposits and accrued interest, pledged as collateral against the company’s corporate credit cards and a deposit held as security against a letter of credit pledged on behalf of the Company by a financial institution (see note 12).

Intangible assets

Intangible consists of proprietary rights, intellectual property, patent rights and technologies which are amortized over 5 years. The company assesses the carrying value of its intangible assets for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable from future undiscounted cash flows from the use or eventual disposition of the related asset. An impairment loss equal to the excess of the asset carrying value over its fair value is recognized in the period in which an impairment is determined.

Adoption of new accounting standards

On January 1, 2007, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”); Section 3855, “Financial instruments – recognition and measurement”, and Section 1530, “Comprehensive income”. These standards were adopted on a prospective basis and as such, prior periods have not been restated.

a) Financial instruments

On January 27, 2005, the CICA issued Handbook section 3855, Financial Instruments – Recognition and Measurement. This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are presented. For the period ended September 30, 2007, the adoption of this policy has no material impact.

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Nine months ended September 30, 2007

b) Comprehensive income

In April 2005, the CICA issued Handbook section 1530, Comprehensive Income. The standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both Net (Loss) and Other Comprehensive Income. Other comprehensive income includes foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net loss. For the period ended September 30, 2007, the Company did not have other comprehensive income or loss, therefore comprehensive loss for the period was equal to the loss for the period.

3 Acquisition of AquaEnergy Group, Ltd.

On June 9, 2006, Finavera acquired 100% of the outstanding common shares of AquaEnergy Group, Ltd. ("AquaEnergy"), a Nevada USA incorporated company. In February 2007 the name was changed to Finavera Renewables Ocean Energy, Ltd. ("OE").

OE is a renewable energy company focused on the development and application of wave energy technologies and currently has wave energy projects under development in Figuera da Foz, Portugal, Makah Bay, WA, USA, Coos Bay, OR, USA and Ucluelet, B.C., Canada.

In 2005, the Company had acquired a 10% interest in AquaEnergy by payment of US\$500,000 for all of the outstanding preferred shares. The 2006 acquisition of the common shares of AquaEnergy was financed by the issuance of interest bearing convertible notes to the shareholders of AquaEnergy totalling \$4,585,026.

Details of the fair value of identifiable assets acquired and purchase consideration are as follows:

	\$
Fair value of assets acquired	
Intangible asset, being Intellectual Property concerning the AquaBuOY device	6,656,587
Cash, receivables and fixed assets	204,189
Payables	<u>(1,534,040)</u>
	<u>5,326,736</u>
Consideration paid	
Cash	532,601
Secured Convertible Promissory Note for 3,277,125 ordinary shares at \$1.3991 (€1.00) each	4,585,026
Cost of acquisition	<u>209,109</u>
	<u>5,326,736</u>

The fair value of shares issuable in connection with the convertible promissory note above was determined by reference to the issue price of €1.00 per share, this being the share price at the time of the acquisition. The fair value of payables is the same as the carrying amount immediately prior to the acquisition.

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Nine months ended September 30, 2007

OE holds an exclusive, irrevocable license for intellectual property related to techniques for the development of a wave energy conversion device. Under the terms of the license, the Company has agreed to pay royalties equal to 2.5% of revenues received during each year from sale or licensing the AquaBuOY technology and any other devices using any of the patents in commercially financed projects, subject to an aggregate total of US\$2 million. Full title passes to the Company when aggregate payments have reached US\$200,000. To date, no payments have been made.

In accordance with the Company's policy regarding long-lived assets, the Company reviewed the intangible assets for impairment during the quarter. The Company completed testing of its AquaBuOY 2.0 prototype device off the coast of Oregon in October 2007. There were a number of positive outcomes from the testing. The Company's ongoing review of the test data since October has caused management to conclude that the AquaBuOY 2.0 iteration of the technology (being the prototype deployed for testing off the Oregon coast) would not, on the basis of likely electricity market forward-pricing scenarios, be capable of generating positive future cash flows. Based on this conclusion the Company recorded a writedown of \$5,767,624 reducing the carrying value of the intangible asset as at September 30, 2007 to \$1. Management intends to use the data it obtained from its tests of the AquaBuOY 2.0 prototype in its drive to commercialize wave technology.

4 Development project costs

The Company has incurred wind and wave farm project costs during the periods as follows:

	Nine months ended September 30, 2007:					
	Irish Wind Projects	German Wind Project	Alberta, Canada Wind Project	B.C., Canada Wind Projects	Wave Projects	Total
	\$		\$	\$	\$	\$
Community relations	-	-	-	2,175	-	2,175
Consulting and wages	-	-	-	118,468	176,213	294,681
Engineering & Professional fees	106,534	-	-	205,188	2,055,616	2,367,338
Environmental assessment & Data collection	-	-	-	893,158	-	893,158
Equipment and installation	-	-	-	134,627	2,165,420	2,300,047
Helicopter	-	-	-	341,469	-	341,469
Legal	-	136,146	108,999	-	75,258	320,403
Licenses and fees	16,703	-	-	15,482	22,940	55,125
Mapping	-	-	-	85,524	-	85,524
Travel	-	1,232	-	17,184	7,462	25,878
	123,237	137,378	108,999	1,813,275	4,502,909	6,685,798

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Nine months ended September 30, 2007

Three months ended September 30, 2007:

	Irish Wind Projects \$	German Wind Projects \$	Alberta, Canada Wind Project \$	B.C., Canada Wind Projects \$	Wave Projects \$	Total \$
Community relations	-	-	-	1,607	-	1,607
Consulting and wages	-	-	-	39,425	-	39,425
Engineering & Professional fees	62,789	-	-	114,254	1,518,795	1,695,838
Environmental assessment & Data collection	-	-	-	391,730	-	391,730
Equipment and installation	-	-	-	14,524	574,965	589,489
Helicopter	-	-	-	140,204	-	140,204
Legal	-	136,146	67,260	-	75,258	278,664
Licenses and fees	7,267	-	-	1,000	-	8,267
Mapping	-	-	-	73,932	-	73,932
Travel	-	1,232	-	9,988	5,270	16,490
	70,056	137,378	67,260	786,664	2,174,288	3,235,646

Finavera Renewables Inc.

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

	Nine months ended September 30, 2006:			
	Irish Wind projects \$	Canadian Wind projects \$	Wave projects \$	Total \$
Consulting and professional fees	15,083	13,029	78,264	106,376
Engineering fees	34,982	199,134	-	234,116
Equipment and installation	-	3,055	9,019	12,074
Helicopter	-	22,603	-	22,603
Legal	4,409	-	-	4,409
Licenses and fees	1,875	30,635	-	32,510
Mapping	-	2,400	-	2,400
Travel	33,000	5,978	-	38,978
	89,349	276,834	87,283	453,466
	Three months ended September 30, 2006:			
	Irish Wind projects \$	Canadian Wind projects \$	Wave projects \$	Total \$
Consulting and professional fees	-	4,765	47,133	51,898
Engineering fees	-	191,426	-	191,426
Equipment and installation	-	3,055	9,019	12,074
Helicopter	-	13,104	-	13,104
Mapping	-	2,400	-	2,400
Licenses and fees	-	16,135	-	16,135
Travel	-	1,602	-	1,602
	-	232,487	56,152	288,639

See Appendix 1 for a schedule of costs incurred on B.C. projects during 2007.

Finavera Renewables Inc.

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

The Company's wind projects comprise the following:

Peace River Projects, British Columbia, Canada

The Company holds 12 Licenses of Occupation ("LO"), issued by the province of British Columbia. The LO's allow for the installation of meteorological towers within the areas originally permitted by the Company. At the date of this report the Company had installed nine meteorological towers which are transmitting real-time weather information. Environmental data collection and analysis work has also been continuing. The sites have been subject to vigorous analysis on the wind resources, environmental impact and mitigation, and turbine selection and layout design.

Cascades Projects, British Columbia, Canada

The Company holds four individual Investigative Use Permits ("IUP") in the Cascades area of British Columbia. Applications for LO's will be filed upon completion of further preliminary sites analyses.

Maghera Project, County Clare and Cloosh Valley Project, County Galway, Ireland

In 2004, the Company commissioned initial feasibility assessments for Cloosh Valley and Maghera, including a birds and mammals study for Cloosh Valley. In 2005, the Company entered into an Option Agreement for the land at Cloosh Valley and in 2006 hired environmental engineers to conduct an Environmental Impact Assessment for Cloosh Valley, and on behalf of the Company, apply for planning permission to erect meteorological towers on site at Cloosh Valley, and for planning permission to construct a wind farm at Cloosh Valley. There has been little development in 2007 on these projects, as the Company waits for the approval of planning applications.

Germany Project

The Company signed a Memorandum of Understanding defining the terms to negotiate the possible acquisition of a 20 megawatt wind farm in Germany, currently under construction with an expected December 2007 completion date. As of the date of this report, the Company has completed its due diligence and found no impediment for purchase of the asset, and is in the final stages of negotiating the terms of the Sale and Purchase Agreement. The Company has, however, advised the vendor that until the Company is able to secure sufficient financing to complete the acquisition, the Company is not in a position to make any commitment to proceed with this project and the vendor should feel free to deal with other potential purchases if it wishes to do so.

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Nine months ended September 30, 2007

The Company's wave projects include the following:

Figuera da Foz, Portugal

The Company is working with project stakeholders for the development of a demonstration project which is intended to be expanded in the future to a commercial, phased 100MW power plant off the coast of Figuera da Foz, Portugal. Negotiations remain underway with stakeholders for the project's pre-commercial phase.

Makah Bay, Washington State, USA

The Makah Bay project is an initial 1MW demonstration wave energy power plant in Northwest Washington State. The Company filed its license application with the Federal Energy Regulatory Commission ("FERC").

Coos Bay, Oregon, USA

The Coos Bay project has been issued a preliminary permit by FERC, valid for three years, in respect of the Company's proposal for a 100MW wave energy project. The permit allows the Company to conduct oceanographic, biological, environmental, commercial and recreational impact studies. During the current period the Company began construction of the AquaBuOY 2.0, and deployed it in ocean trials off the Oregon coast in late August 2007. Based on the data from the trials the Company wrote down the carrying value of the AquaBuOY technology to a nominal amount.

Ucluelet, British Columbia, Canada

The Company has been working with project stakeholders and an Investigative Use Permit application has been submitted to the Land Use Management Bureau. This project is in the preliminary planning stages.

South Africa

As part of a commitment it made to the Clinton Global Initiative (CGI), the Company is developing a wave project in South Africa. The Company has retained the services of ZLH Consulting Engineers (PTY) Ltd, a South African engineering company, to carry out a study of wave resources and to assist with environmental and facility permitting processes in the country. Preliminary work has been completed. The Company has identified several areas that may offer potential for a future wave energy facility. The Company intends to move forward with a comprehensive environmental study of the sites for a proposed facility. The project design is in the conceptual stage.

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

5 Investment

In 2005 the Company acquired 1,000,000 shares or a 3.6% interest in BioDiesel Australia Ltd. ("BDA"), a private Australian company, for €80,143. BDA is developing a proprietary technology that can transform a wide range of feedstocks into biodiesel, regardless of free fatty acid (FFA) content or the nature of the feedstock (tallow or vegetable). Traditional biodiesel esterification processes have difficulty processing high FFA content feedstock (such as palm oil and certain animal tallows) and result in low yields. BDA has a pilot plant in operation using their proprietary technology and intellectual property and are working on the development of full scale commercial plants. As at September 30, 2007 the Company's interest in BDA was 3.1%.

6 Three Hills Wind Power Project

During the first quarter, the Company acquired, by an Agreement of Purchase and Sale, for \$3,350,000, all the interests held by the vendor in the Three Hills Wind Power Project. The interests are comprised of the vendor's title documents, a \$1,800,000 deposit with Alberta Electric System Operator (AESO), six meteorological towers and associated equipment, wind resource data and all other materials relating to the Project. An additional \$250,000 was paid to the joint venture partner of the vendor in consideration for all of the joint venture partner's interests in the project and to convert the joint venture partner to a royalty earner. The royalty is 2.5% of net cash flows associated with the project. The royalty increases to 4% of net cash flows if and when the cumulative net cash flows associated with the project exceed the initial capital costs and post completion costs associated with the project. The Company has incurred due diligence costs of \$169,495 in connection with the acquisition.

The Project consists of two 75MW phases in south-central Alberta. The first phase, referred to as Ghost Pine, has received a grid connection offer from AESO. Following permitting and regulatory approval, a payment of up to \$600,000 may be made to a third party as a closing cost, and following successful project financing, construction would be anticipated to commence in 2008, with operations anticipated to commence in 2009. The project includes wind data collected from six meteorological towers that have collected wind data for the past two years.

\$1,969,495 of the purchase price has been assigned to intangible assets, consisting of the project title documents, the wind resource data, the fee paid to a royalty earner and due diligence and other closing costs. This amount will be amortized on a straight line basis over a 5 year period.

\$1,800,000 has been allocated to other assets, consisting of the deposit held with AESO.

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Nine months ended September 30, 2007

7 Notes payable

Notes payable, which were all repaid upon the completion of the Private Placement (note 8(a)), consisted of the following:

	September 30, 2007 \$	December 31, 2006 \$
The Company had a US\$100,000 revolving line of credit with a U.S. bank. Interest was due monthly at the bank's prime rate plus 2.5%. The note was collateralized by a compensating deposit of \$29,131, which was repaid during the period.	-	116,528
Unsecured note payable to a vendor with interest at 10% per annum	-	75,060
Unsecured note payable to a vendor with interest at 18% per annum	-	51,207
	<hr/>	<hr/>
	-	242,795
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Notes to Consolidated Financial Statements

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8 Capital stock

Authorized

Unlimited number of common voting shares without par value

Issued

Common shares

	Number of Shares	Amount \$
Issued and outstanding number of common shares, December 31, 2005	14,457,660	1,167,477
Private placements	3,227,736	3,845,610
Agent's shares	186,872	214,425
Less private placements' share issue costs	-	(386,799)
Reallocation of fair value of private placement warrants	-	(918,725)
Reallocation of issue costs to warrants	-	73,434
	<hr/>	<hr/>
Issued and outstanding common shares before RTO, December 15, 2006	17,872,268	3,995,422
Exchange of shares	(17,872,268)	-
Issuance of shares pursuant to the RTO	101,171,335	-
Acquisition of Cascade	3,400,000	231,115
Flow through private placement	7,514,336	1,502,867
Issue costs	-	(15,391)
RTO closing costs	-	(248,842)
Conversion of loans and other commitments	28,314,239	7,659,767
	<hr/>	<hr/>
Issued and outstanding common shares as at December 31, 2006	140,399,910	13,124,938
Private placement	28,571,500	10,000,025
Issue costs	-	(1,957,537)
Reallocation of fair value of private placement warrants	-	(4,086,676)
Reallocation of issue costs to warrants	-	806,269
Stock options exercised	3,799,872	821,512
Warrants exercised	994,910	449,374
Adjustment to 2006 accrued RTO closing costs	-	27,928
Flow-through share renunciation – tax effect (note 9)	-	(512,778)
	<hr/>	<hr/>
Issued and outstanding common shares as at September 30, 2007	173,766,192	18,673,055

Finavera Renewables Inc.

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

a) Private placement

On February 19, 2007, the Company completed a private placement of 28,571,500 units at \$0.35 per unit for total proceeds of \$10,000,025. Each unit consists of one common share and one share purchase warrant exercisable at \$0.55 per share for a 24 month period. The agents received a cash commission of 8% of the brokered portion of the private placement (and 4% in respect of one subscriber in the non-brokered portion), for total commissions of \$710,696. The agents also received 2,030,560 compensation options exercisable at \$0.35 per unit for a two year period, with each unit consisting of one share and one share purchase warrant exercisable at \$0.55 per share for a 24 month period. The fair value of the agents' compensation options, under the Black-Scholes option pricing model, was \$647,148, and the fair value of the agents' warrants was \$491,157. These amounts were recorded in contributed surplus and issue costs. Refer to Note 8(d). During the period to September 30, 2007, the agents exercised 500,000 compensation options for proceeds of \$175,000, and private placement subscribers exercised 22,000 warrants for proceeds of \$12,100.

b) Stock Options

At September 30, 2007, there were 15,111,336 stock options outstanding. The following is a summary of the consolidated stock options transactions since incorporation:

	Number of options	Weighted average exercise price \$
Granted in 2005	9,316,205	0.15
Outstanding and exercisable at December 31, 2005	9,316,205	0.15
Granted in 2006	9,482,192	0.27
Forfeited in 2006	(2,915,312)	0.18
Exercised in 2006	(626,877)	0.03
Outstanding and exercisable at December 31, 2006	15,256,208	0.25
Granted in 2007	3,655,000	0.48
Exercised in 2007	(3,799,872)	0.21
Outstanding and exercisable at September 30, 2007	15,111,336	0.32

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Nine months ended September 30, 2007

The following table summarizes information about stock options outstanding at September 30, 2007:

<u>Expiry date</u>	<u>Exercise price</u> €	<u>Exercise price</u> \$	<u>Number of options</u>
May 15, 2009	0.09	0.14	141,520
April 26, 2010	0.18	0.27	2,151,104
November 1, 2010	0.18	0.27	672,512
January 9, 2011	0.18	0.27	283,040
February 13, 2011	0.18	0.27	1,981,280
March 1, 2011	0.18	0.27	226,432
September 18, 2011	0.18	0.27	566,080
November 30, 2011	0.18	0.27	5,434,368
August 10, 2012	n/a	0.48	3,655,000
			<u>15,111,336</u>

There were no stock options granted during the six month period ended June 30, 2007, but 3,655,000 options were granted in the current quarter, exercisable at \$0.48 per share for a five year period, with 1/3 vesting each six months. The total fair value of the options granted in the current quarter was \$920,437 as determined by the Black-Scholes option pricing model. The options vest over 18 months, and accordingly, the stock-based compensation for the period ended September 30, 2007 was \$93,748. The following ranges of weighted average assumptions were used for the valuation of stock options and agents warrants granted during the period ended September 30, 2007:

Risk-free interest rate	4.54%
Expected life of option	3 years
Annualized volatility	76.10%
Dividend rate	0%

Stock-based compensation for the year ended December 31, 2006 was \$1,362,587 as calculated under the Black-Scholes option pricing model. The following ranges of weighted average assumptions were used for the Black-Scholes method of valuation of stock options and agents warrants granted during the year ended December 31, 2006:

Risk-free interest rate	2.55% - 2.75%
Expected life of option	1.0 - 2.5 years
Annualized volatility	95% - 104%
Dividend rate	0%

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

c) Warrants:

At September 30, 2007, the Company had 47,412,393 warrants outstanding. During the period ended September 30, 2007, agents exercised 140,000 warrants for proceeds of \$21,000, and 500,000 compensation options for proceeds of \$175,000, and private placement subscribers exercised 354,911 warrants for proceeds of \$91,494.

The value of warrants on the balance sheet reflects the fair value of outstanding private placement warrants as determined by the Black-Scholes option pricing model, adjusted for the proportionate allocation of the private placement issue costs.

The following table details the outstanding warrants as at September 30, 2007:

<u>Expiry date</u>	<u>Exercise price</u>	<u>Number of warrants</u>
Subscriber warrants		
January 4, 2009	\$0.24	7,167,724
January 4, 2009	\$0.30	6,141,968
January 4, 2009	\$0.34	707,600
February 16, 2009	\$0.55	24,610,000
February 19, 2009	\$0.55	3,939,500
Broker warrants		
November 8, 2008	\$0.20	601,149
November 8, 2008	\$0.20	455,553
25 months after 455,553 warrants are exercised	\$0.24	227,779
February 16, 2009	\$0.35	1,530,560
February 16, 2009	\$0.55	2,030,560
		<u>47,412,393</u>

<u>Warrants Values</u>	<u>\$</u>
December 31, 2005	-
Private placements	918,725
Issue costs	<u>(73,434)</u>
December 31, 2006	845,291
Private placement	4,086,676
Issue costs	(806,269)
Exercised	<u>(2,526)</u>
September 30, 2007	<u>4,123,172</u>

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

d) Contributed surplus

	\$
Balance - December 31, 2005	1,493,481
Stock-based compensation	1,362,587
Broker warrants	<u>95,981</u>
Balance - December 31, 2006	2,952,049
Stock-based compensation	93,748
Broker warrants- amount on issue	1,138,305
Broker warrants- amount exercised	<u>(159,354)</u>
Balance – September 30, 2007	<u>4,024,748</u>

9 Future income taxes

During the year ended December 31, 2006, the Company raised a total of \$1,502,867 through the issuance of flow-through shares, which funds have been expended on qualifying expenditures and renounced and accounted for in 2007 for income tax purposes, to the flow-through investors with an effective date of renunciation of December 31, 2006.

The significant components of the future tax liability are as follows:

<u>Long-term future income tax liability</u>	<u>December 31, 2006</u>
Beginning balance	-
Future income tax liability for renounced wind resource property expenditures	<u>512,778</u>
Future income tax liability	<u>\$ 512,778</u>

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

10 Related party transactions

These financial statements include transactions during the periods with related parties as follows:

- a) For the nine month period, the Company paid total fees to directors of \$503,220 (2006 - \$337,072), and fees of \$95,000 (2006 - \$15,697) to the CFO. For the three month period ending September 30, 2007, the Company paid total fees to directors of \$156,374 (2006 - \$165,531), and fees of \$35,000 (2006 - \$6,907) to the CFO.
- b) For the nine month period, the Company paid rent of \$33,754 (2006 - \$19,288) to Longview Capital Partners Inc. ("LV"), a public company related by one director in common, and \$nil (2006 - \$30,023) to Finavera Limited ("FL"), a private Irish company with one director in common. For the three month period ended September 30, 2007, the Company paid rent of \$nil (2006 - \$19,287) to LV.
- c) Accounts payable and accrued liabilities as at September 30, 2007 include amounts due to directors and officers for unpaid fees and services of \$169,239 (December 31, 2006 - \$350,739).
- d) Accounts receivable includes \$40,998 due from Finavera Gas Limited, a private company related by one director in common, as a reimbursement of wages.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

11 Segmented information

The Company has two reporting segments, wind and wave projects. Wind projects are further reported by country, Canada and Ireland.

	<u>Wind</u>		<u>Wave</u>	
	<u>Ireland</u>	<u>Canada</u>		<u>Total</u>
	\$	\$	\$	\$
For the period ended September 30, 2007				
Segment assets	601,600	5,143,626	149,148	5,894,374
Capital assets	28,094	183,589	61,529	273,212
Intangible assets	1	1,772,546	-	1,772,547
For the year ended December 31, 2006				
Segment assets	7,766,554	1,878,611	133,213	9,778,378
Capital assets	27,969	20,251	23,384	71,604
Intangible assets	6,494,215	-	-	6,494,215

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

12 Contingencies and commitments

The Company has entered into lease agreements with the following lease commitments over the next five years:

Year	\$
2007	58,464
2008	242,810
2009	255,915
2010	215,625
2011	59,440

Various claims and litigation can arise in the course of the Company's business. The Company will assess the impact of such contingencies, and make an adequate provision if it is determined to have a potentially material impact on the Company's financial position, earnings or cash flows. During the period, the Company was issued a writ in regards to its investment in the Three Hills wind project in Alberta. Management views the claim as without merit.

Letter of Credit

FVR has provided, through a financial institution by way of an irrevocable standby letter of credit (the "LC"), a guarantee of \$US195,000 related to the successful removal of AquaBuOY 2.0 wave energy converter off the coast of Oregon. The state of Oregon is the beneficiary and may draw upon this LC if the Company fails to successfully remove the AquaBuOY 2.0 by December 31, 2007. FVR has collateral security related to the guarantee of \$234,000 pledged with the financial institution held in a Variable Rate GIC (the "GIC"), earning interest for the benefit of the Company at prime less two and one quarter percent. The LC expires December 31, 2007. The Company is negotiating an extension to the letter. The GIC has been classified in these financial statements as restricted cash. No amounts have been recorded in the consolidated financial statements for amounts that may be potentially owed under the guarantee as management does not expect any amounts to be drawn upon, as the Company has initiated an insurance claim related to the retrieval of the device.

13 Subsequent events

The prototype AquaBuOY wave energy converter sank at the completion of its test deployment, after having transmitted operating data for a period of eight weeks. The Company has made a provision for estimated removal costs of \$1,050,000, which management expects to be fully covered by its insurance claim.

A director exercised 1,000,000 stock options for proceeds of \$254,752 on November 19, 2007.

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Notes to Consolidated Financial Statements

Nine months ended September 30, 2007

Appendix 1

Summary of B.C. Wind Project Costs

Nine months ended September 30, 2007:

	Bullmoose, Peace River	Wildmare, Peace River	Tumbler Ridge, Peace River	Mount Clifford, Peace River	Others	Total
	\$	\$	\$	\$	\$	\$
Community relations	-	-	-	143	2,032	2,175
Consulting and wages	26,282	25,139	28,122	25,548	13,377	118,468
Engineering fees and Professional	49,683	52,406	53,989	49,110	-	205,188
Environmental monitoring and data collection	205,832	228,591	321,912	118,493	18,330	893,158
Equipment and installation	23,648	5,209	39,259	10,868	55,643	134,627
Helicopter	39,507	38,150	52,114	161,812	49,886	341,469
Licenses and fees	-	533	-	-	14,949	15,482
Mapping	20,268	20,268	20,268	20,268	4,452	85,524
Travel	4,296	4,296	4,296	4,296	-	17,184
	<u>369,516</u>	<u>374,592</u>	<u>519,960</u>	<u>390,538</u>	<u>158,669</u>	<u>1,813,275</u>

Three months ended September 30, 2007:

	Bullmoose, Peace River	Wildmare, Peace River	Tumbler Ridge, Peace River	Mount Clifford, Peace River	Others	Total
	\$	\$	\$	\$	\$	\$
Community relations	-	-	-	-	1,607	1,607
Consulting and wages	9,810	9,817	10,368	9,430	-	39,425
Engineering fees and professional	28,089	28,820	32,313	25,032	-	114,254
Environmental monitoring and data collection	41,663	127,258	188,011	30,615	4,183	391,730
Equipment and installation	187	187	187	187	13,776	14,524
Helicopter	28,719	28,719	28,719	54,047	-	140,204
Licenses and fees	-	500	-	-	500	1,000
Mapping	18,368	18,368	18,368	18,368	460	73,932
Travel	2,497	2,497	2,497	2,497	-	9,988
	<u>129,333</u>	<u>216,166</u>	<u>280,463</u>	<u>140,176</u>	<u>20,526</u>	<u>786,664</u>