

(FVR-V; \$0.58)

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## GRID CONNECTION AGREEMENT SIGNED FOR CLOOSH VALLEY IN IRELAND

**EVENTS** FVR announced a grid connection agreement with Eirgrid (Private) for its 105MW Cloosh Valley Wind Project in Ireland. This agreement continues to de-risk FVR's Irish project, which is expected to begin construction in 2014. It is forecast to be the largest onshore wind project in Ireland.

**REVISIONS** No changes to estimates.

**IMPLICATIONS** This next step in the development of the Cloosh Valley Wind Project is critical to accessing the local transmission system in Ireland and, ultimately, to delivering electricity to the grid under the regional feed-in tariff program. While we currently do not model Cloosh Valley in our estimates, we believe there is significant unattributed value for this project to FVR. We note that FVR owns an equity interest in Cloosh Valley of 10%, having sold the majority interest to Scottish and Southern Energy (SSE-LSE, Not Rated) late in 2010 for a total sale value of €8.4M. FVR has received a payment of €1.26M so far, with the balance (€7.14M) due in staged payments under the terms of the sale agreement. Recall that FVR has also negotiated a Co-Development Agreement with SSE and the state-owned commercial forestry and renewable energy company, Coillte, for the joint development of the Cloosh Valley Project.

At this stage, it is expected that FVR will remain CFO-negative until its projects begin achieving COD starting 2012/2013. We particularly note that FVR holds four PPAs with BC Hydro for its projects defining a potential 25-year revenue stream for the company. Financial close for the first two projects is expected early 2012, around which time we expect a final announcement outlining terms for a financial partner to complete the final development and construction of the projects. In our view, much of the uncertainty impacting FVR's stock price should subside once substantial steps towards project funding are announced.

**VALUATION** Our \$1.65 price target is based on a NAV analysis under a retained ownership of 30% on each of FVR's four contracted wind projects. We continue to expect the announcement of a final agreement for the funding of the 77MW Wildmare and 47MW Tumbler Ridge projects with GE (GE-US, Not Rated) in the coming months.

**THESIS** FVR was awarded four PPA agreements in the BC Clean Call for Power totalling over 300MW of wind energy capacity, or 20% of the total call awards. With such a substantial award in the Call for Power, we believe the successful negotiation of a JV partnership to fund project development could drive significant upside for investors.

### FORECASTS

<b>RATING (12-MTH)</b>	Sector Outperform
<b>PRICE TARGET</b>	\$1.65, (+184.5%)
<b>CURRENT PRICE</b>	\$0.58
<b>DIV/YIELD</b>	N/A
<b>RISK</b>	Speculative
<b>MARKET SENTIMENT</b>	Divided

### REVISIONS

Rating/Target	Revised	Prior
Rating	S/O	S/O
Target	unchanged	\$1.65

Forecasts	Revised '11	Prior '11
Revenue (\$M)	unchanged	NA
Gross Margin	unchanged	NA
EBITDA (\$M)	unchanged	NA
EPS (basic)	unchanged	NA
EPS (FD)	unchanged	NA
NAV (\$M)	unchanged	60-70
NAV/Share	unchanged	\$1.63

### FINANCIAL SUMMARY

Shares O/S (M)	34.99	52-week Range	\$0.45 - \$1.65		
Market Cap. (\$M)	20.30	Avg. Weekly Vol. (M)	0.1		
Market Float (%)	81.4%	Fiscal Year End	31-Dec		
Net Debt (\$M)	\$2.6	Book Value/Share	\$0.06		
<b>Forecasts</b>	<b>2009A</b>	<b>2010A</b>	<b>2011E</b>	<b>2012E</b>	
Revenue (\$M)	NM	NM	NM	NM	
EBITDA (\$M)	(\$4.74)	(\$3.14)	NA	NA	
EPS (FD)	(\$0.01)	(\$0.00)	NA	NA	
EPS (basic)	(\$0.01)	(\$0.00)	NA	NA	
CFPS	(0.01)	(0.01)	NA	NA	
P/E	NM	NM	NM	NM	
EV/EBITDA	NM	NM	NM	NM	
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	
<b>EPS</b>	2010	(\$0.00)	(\$0.00)	\$0.00	(\$0.00)
	2011	(\$0.02)	NA	NA	NA
<b>EBITDA (\$M)</b>	2010	(\$1.03)	(\$0.81)	(\$0.86)	(\$0.44)
	2011	(\$0.55)	NA	NA	NA

Note: All data sourced from Capital IQ, Thomson, NCP Northland Capital. ■ Denotes NCP estimates

### VALUATION PARAMETERS

	Current	Target	
Share Price	\$0.58	\$1.65	
NAV/Share	NA	1.63	
% Diff	NA	1%	
	2009A	2010A	2011E
Current EV/EBITDA	NA	NA	NA
Target EV/EBITDA	NA	NA	NA
Peers EV/EBITDA	NA	NA	NA
Current P/CFPS	NA	NA	NA
Target P/CFPS	NA	NA	NA
Peers P/CFPS	NA	NA	NA

OCTOBER 6, 2011

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All figures in C\$ unless otherwise noted.  
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PRICE TARGET (PT)	\$1.65	PRICE:	\$0.58	NET DEBT (\$M)	2.6	Wednesday, October 05, 2011
RATING	Sector Outperform (S/O)	MARKET CAP (\$M)	20.3	SHARES (M)	35.0	

**PRICE TARGET SCENARIOS**

**TARGET SCENARIO (\$1.65, +184%)**

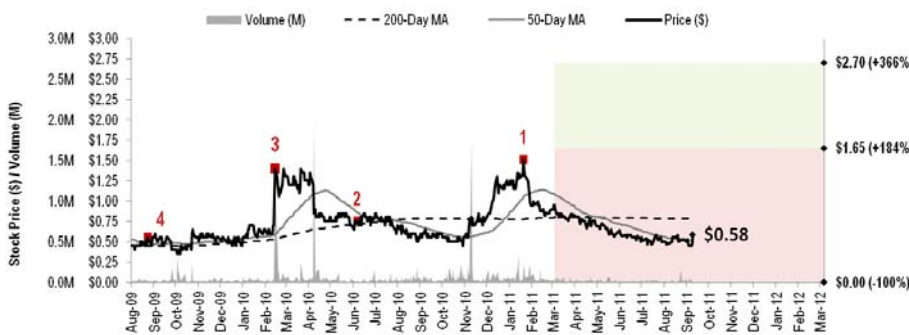
Our target scenario is based on a 30% retained ownership interest in each of the 77MW Wildmare, 47MW Tumbler Ridge projects, 117MW Meikle Wind and 60MW Bullmoose projects.

**UPSIDE DRIVERS (\$2.70, +366%)**

We derive an upside scenario of \$2.70/share, reflecting a higher retained interest of 30% in the 47MW Tumbler Ridge Project and a 50% retained interest in the 117MW Meikle Wind and the 60MW Bullmoose wind projects, and a de-risked value for the Wildmare and Tumbler Ridge projects.

**DOWNSIDE PERIL (\$0.00, -100%)**

The downside for investors is ultimately zero, though we believe that there is positive value from the PPA agreements for the four wind projects on which to capitalize. FVR has also mitigated its financial risk with funding provided by GE Energy and additional funding earned from the sale of a majority interest in its Gate 3 grid connection and Cloosh Valley Wind Project in Ireland.



**KEY EVENTS**

- 1 Announcement of partnership with GE for the development of Wildmare
- 2 Divestiture of majority interest in Gate 3 grid connection for €8.4M
- 3 Sale of Ocean Energy division and AquaBuOY technology announced
- 4 Four projects totalling ~300MW awarded contracts in BC Clean Call

**COMPANY OVERVIEW**

Finavera Wind Energy is a developer of wind projects in Canada and Ireland. It currently has a development pipeline of 301MW in contracted projects and additional assets under development in Ireland.

- Catalysts**
- > 2011 - Finalization partnership or joint venture agreements for the Wildmare and Tumbler Ridge projects.
  - > 2011/2012 - Financial close for the two wind energy projects, Wildmare and Tumbler Ridge

VALUATION ANALYSIS	Wildmare	Tumbler	Meikle	Bullmoose
\$000's except per share values				
Retained interest	30%	30%	30%	30%
Total PV	28,999	16,332	18,840	5,419
Shares outstanding	37,423	37,423	37,423	37,423
NAV/Share	\$0.77	\$0.44	\$0.50	\$0.14
less PV corporate expenses/share			(\$0.23)	
TOTAL NAV			\$1.63	

RISK PROFILE	
Forecast Risk	High
Financial Risk	High
Geopolitical Risk	Moderate
Valuation Risk	High

CONSENSUS REVIEW						Revenue (\$M)		EPS		EBITDA (\$M)	
Rating	Current	3mth Chg	Target	Current	3mth Chg	2011E	2012E	2011E	2012E	2011E	2012E
SO/Buy	2	5000.0%	High	\$1.65	-15.2%	NCP	NM	NA	NA	NA	NA
SP/Hold	0		Low	\$1.15		Cons.	NA	NA	NA	NA	NA
SU/Sell	0		Median	\$1.40		-3mths	0.0%	0.0%	0.0%	0.0%	0.0%

COMPARABLES											
Company	Ticker	Price	Target	Mkt Cap (\$M)	ROIC	P/E		EV/EBITDA		EBITDA Growth	
						2011E	2012E	2011E	2012E	2011E	2012E
Finavera Wind Energy	FVR	\$0.58	\$1.40	20.3	0.0%	NA	NA	NA	NA	NA	NA
China Wind Power	CNW	\$0.74	\$0.00	48.1	0.0%	NA	NA	NA	NA	NA	NA
Sprott Power	SPZ	\$0.68	\$1.65	14.0	0.0%	NA	NA	NA	3.7	NA	174.9%
Alterra Power	AXY	\$0.50	\$0.94	133.3	-1.3%	NA	NA	NA	17.5	NA	3.3%
Sea Breeze Power	SBX	\$0.08	\$0.00	6.3	0.0%	NA	NA	NA	NA	NA	NA
Run of River Power	ROR	\$0.08	\$0.19	6.8	0.0%	NA	NA	NA	NA	-1.2%	0.4%
Tribute Resources	TRB	\$0.09	\$0.00	5.8	0.0%	NA	NA	NA	NA	NA	NA
Western Wind Energy	WND	\$1.30	\$2.95	66.1	0.0%	NA	NA	NA	9.1	NA	19.3%
					<b>Mean</b>	NA	NA	NA	10.1	-1.2%	6.2%

Note: estimates are consensus estimates; Source: Capital IQ, Company reports



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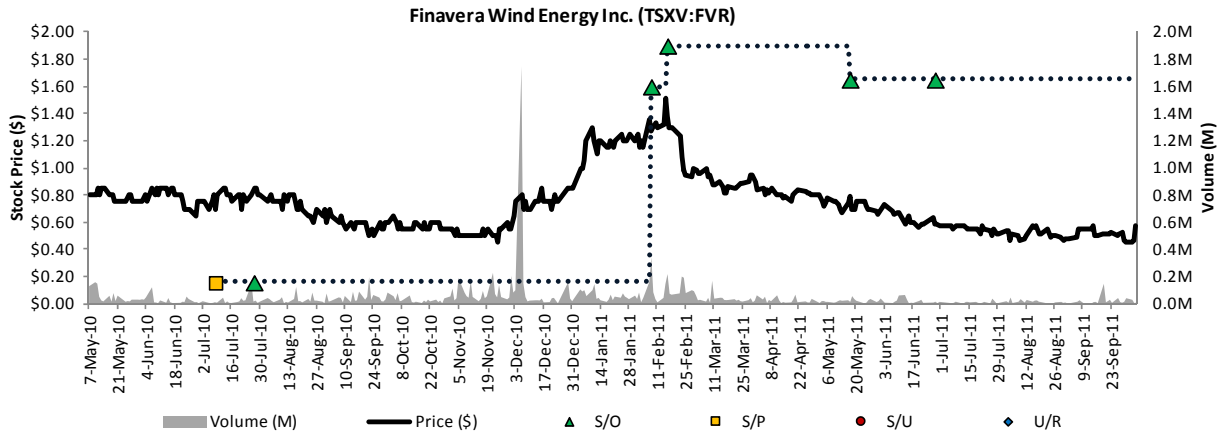
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- Research dissemination policy
- Rating Structure
- Sentiment, Risk Profile Parameters
- Distribution of Ratings



PRICE TARGET HISTORY



Date	Target	Rating	Change Type
7/8/2010	\$0.16	S/P	Initiate Coverage
7/27/2010	\$0.16	S/O	Update
2/8/2011	\$1.60	S/O	Update
2/16/2011	\$1.90	S/O	Update
5/17/2011	\$1.65	S/O	Share update