

Consolidated Financial Statements
(Expressed in Canadian dollars)

WESTPORT INNOVATIONS INC.

Three and six months ended September 30, 2007 and 2006

WESTPORT INNOVATIONS INC.

Consolidated Balance Sheets
(Expressed in thousands of Canadian dollars)

	September 30, 2007	March 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,743	\$ 1,702
Short-term investments	1,667	21,379
Accounts receivable	8,285	10,881
Inventories (note 3)	3,820	2,816
Prepaid expenses	659	783
Current portion of future income tax asset	1,518	1,778
	33,692	39,339
Long-term investments (note 4)	34,606	13,115
Equipment, furniture and leasehold improvements	34,377	34,356
Accumulated depreciation	(30,926)	(30,493)
	3,451	3,863
Intellectual property	4,321	4,321
Accumulated amortization	(3,675)	(3,602)
	646	719
Deferred charges	-	920
Future income tax asset	1,432	1,677
	\$ 73,827	\$ 59,633
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,300	\$ 6,030
Deferred revenue	160	365
Demand instalment loan	2,331	1,613
Current portion of long-term debt (note 5)	6,816	6,816
Current portion of warranty liability	3,824	3,824
Obligation to issue warrants	4,000	-
	22,431	18,648
Warranty liability	3,075	3,147
Obligation to issue warrants	-	4,000
Long-term debt (note 5)	23	13,781
Other long-term obligations (note 6)	1,678	1,720
Joint Venture Partner's share of net assets from joint venture	9,505	7,719
Shareholders' equity:		
Share capital:		
Authorised:		
Unlimited common shares, no par value		
Unlimited preferred shares in series, no par value		
Issued:		
93,151,695 (2007 - 75,686,085) common shares	255,757	232,830
Other equity instruments (note 8)	4,549	12,352
Additional paid in capital	5,170	5,301
Accumulated deficit	(250,106)	(239,865)
Accumulated other comprehensive income (note 2):		
Unrealised gain on available for sale investments	21,745	-
	37,115	10,618
Subsequent event (note 12)		
	\$ 73,827	\$ 59,633

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Operations (unaudited)

(Expressed in thousands of Canadian dollars except share and per share amounts)

	Three months ended		Six months ended	
	September 30		September 30	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Product revenue	\$ 16,639	\$ 10,327	\$ 28,481	\$ 17,971
Parts revenue	4,530	3,401	8,418	6,379
	21,169	13,728	36,899	24,350
Cost of revenue and expenses:				
Cost of revenue	15,116	8,951	25,508	15,536
Research and development (notes 8 and 9)	5,078	5,734	10,519	11,731
General and administrative (note 8)	1,175	1,475	2,288	2,891
Sales and marketing (note 8)	2,306	1,953	4,083	2,958
Foreign exchange loss (gain)	458	(73)	997	(155)
Depreciation and amortization	359	332	726	657
Bank charges, interest and other	67	118	125	175
	24,559	18,490	44,246	33,793
Loss before undernoted	(3,390)	(4,762)	(7,347)	(9,443)
Interest on long-term debt and amortization of discount	(216)	(459)	(986)	(506)
Interest and other income	212	186	441	259
Gain on sale of interest in subsidiary	-	3,891	-	3,891
Gain on sale of long-term investment (note 4)	-	-	718	-
Loss before income taxes and Joint Venture				
Partner's share of income from joint venture	(3,394)	(1,144)	(7,174)	(5,799)
Income tax expense:				
Current	(58)	-	(125)	-
Future	(209)	-	(506)	-
	(267)	-	(631)	-
Loss before Joint Venture Partner's share of income from joint venture	(3,661)	(1,144)	(7,805)	(5,799)
Joint Venture Partner's share of income from joint venture (note 10)	(1,206)	(696)	(1,786)	(1,460)
Loss for the period	(4,867)	(1,840)	(9,591)	(7,259)
Basic and diluted loss per share	\$ 0.05	\$ 0.03	\$ 0.12	\$ 0.10
Weighted average common shares outstanding	88,535,739	75,196,048	82,175,661	74,917,305

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Cash Flows (unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by (used in):				
Operations:				
Loss for the period	\$ (4,867)	\$ (1,840)	\$ (9,591)	\$ (7,259)
Items not involving cash:				
Depreciation and amortization	359	332	726	657
Stock-based compensation expense	296	279	409	633
Accretion of TPC warrants	-	286	-	571
Future income tax recovery	209	-	506	-
Change in deferred lease inducements	(64)	(41)	(121)	(82)
Gain on sale of interest in subsidiary	-	(3,891)	-	(3,891)
Gain on sale of long-term investments	-	-	(718)	-
Joint Venture Partner's share of income from joint venture	1,206	696	1,786	1,460
Interest on long-term debt and amortization of discount	216	459	986	506
Other	-	(40)	-	(40)
	(2,645)	(3,760)	(6,017)	(7,445)
Change in non-cash operating working capital:				
Accounts receivable	1,610	(1,058)	2,596	(1,027)
Inventory	(753)	(253)	(1,004)	40
Prepaid expenses	(21)	(367)	124	(274)
Accounts payable and accrued liabilities	18	1,879	(1,503)	2,280
Deferred revenue	(169)	702	(125)	250
Warranty liability	493	305	(72)	(23)
	(1,467)	(2,552)	(6,001)	(6,199)
Investments:				
Purchase of equipment, furniture, and leasehold improvements	(61)	(281)	(243)	(483)
Proceeds on disposition of equipment, furniture, and leasehold improvements	-	3	-	3
Redemption (purchase) of short-term investments, net	16,803	(15,379)	19,712	(17,153)
Net proceeds from sale of interest in subsidiary	-	3,891	-	3,891
Proceeds on disposition of long-term investments	-	-	1,119	-
Deferred transaction costs	-	(375)	-	(375)
	16,742	(12,141)	20,588	(14,117)
Financing:				
Share issue costs	(31)	(2)	(31)	(5)
Repayment of demand instalment loan	(147)	(300)	(282)	(601)
Increase in demand instalment loan	1,000	-	1,000	-
Repayment of long-term debt obligations	(19)	(21)	(37)	(40)
Increase (repayment) of bank loan	-	7,346	-	7,346
Issuance of convertible notes	-	8,285	-	13,808
Finance costs incurred	-	(166)	-	(594)
Shares issued for cash	229	-	804	-
	1,032	15,142	1,454	19,914
Increase (decrease) in cash and cash equivalents	16,307	449	16,041	(402)
Cash and cash equivalents, beginning of period	1,436	195	1,702	1,046
Cash and cash equivalents, end of period	\$ 17,743	\$ 644	\$ 17,743	\$ 644
Supplementary information				
Interest paid	\$ 43	\$ 63	\$ 73	\$ 108
Taxes paid	54	-	256	15
Non-cash transactions:				
Shares issued on exercise of performance share units	153	-	288	510
Shares issued for settlement of debt	-	299	-	602
Shares issued on conversion of debt	20,827	-	20,827	-
Shares issued for settlement of interest on convertible notes	553	-	553	-

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss) (unaudited)

(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007

	Common shares	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income	Total shareholders' equity	Comprehensive loss
Balance, March 31, 2007	75,686,085	\$ 232,830	\$ 12,352	\$ 5,301	\$ (239,865)	\$ -	\$ 10,618	\$ -
Transitional adjustment on adoption of new accounting policies for financial instruments (note 2)	-	-	-	-	113	20,402	20,515	-
Balance, April 1, 2007	75,686,085	232,830	12,352	5,301	(239,752)	20,402	31,133	-
Changes during the period:								
Issue of common shares on exercise of stock options	391,459	920	-	(345)	-	-	575	-
Issue of common shares on exercise of performance share units for no additional consideration	87,193	135	(135)	-	-	-	-	-
Stock-based compensation	-	-	27	86	-	-	113	-
Unrealised loss on available for sale securities	-	-	-	-	-	(1,218)	(1,218)	(1,218)
Reclassification of net realised gains on available for sale securities to net loss	-	-	-	-	-	(718)	(718)	(718)
Net loss	-	-	-	-	(4,724)	-	(4,724)	(4,724)
Balance, June 30, 2007	76,164,737	\$ 233,885	\$ 12,244	\$ 5,042	\$ (244,476)	\$ 18,466	\$ 25,161	\$ (6,660)
Changes during the period:								
Issue of common shares on exercise of stock options	153,286	370	-	(141)	-	-	229	-
Issue of common shares on exercise of performance share units for no additional consideration	79,183	153	(153)	-	-	-	-	-
Issue of common shares on conversion of subordinated convertible notes (net of issue costs) and accrued interest (note 5)	16,754,489	21,349	(7,569)	-	(763)	-	13,017	-
Stock-based compensation	-	-	27	269	-	-	296	-
Unrealised gain on available for sale securities	-	-	-	-	-	3,279	3,279	3,279
Net loss	-	-	-	-	(4,867)	-	(4,867)	(4,867)
Balance, September 30, 2007	93,151,695	\$ 255,757	\$ 4,549	\$ 5,170	\$ (250,106)	\$ 21,745	\$ 37,115	\$ (8,248)

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

1. Basis of presentation:

The unaudited consolidated balance sheet as at September 30, 2007, the unaudited consolidated statements of operations and cash flows for the three and six months ended September 30, 2007 and 2006 and the unaudited consolidated statements of shareholders' equity and comprehensive income (loss) for the three and six months ended September 30, 2007 have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. The accompanying unaudited consolidated financial statements do not include all information and footnote disclosures required under Canadian generally accepted accounting principles for annual financial statements. Except as described in note 2, these financial statements have been prepared, on a basis consistent with, and should be read in conjunction with, the consolidated financial statements and notes thereto for the fiscal year ended March 31, 2007.

These consolidated financial statements have been presented on a going concern basis, which assumes the realisation of assets and the settlement of liabilities in the normal course of operations. To date, the Company has financed its operations primarily by equity and debt financing and margins on the sale of products and parts. If the Company does not have sufficient funding from internal or external sources, it may be required to delay, reduce or eliminate certain research and development programs and forego acquisition of certain equipment. The future operations of the Company are dependent upon its ability to produce, distribute and sell an economically viable product to attain profitable operations.

In the opinion of management, all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at September 30, 2007 and for all periods presented, have been included. Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

2. Accounting policies:

On April 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges. These new standards resulted in changes in the accounting for financial instruments, hedges and available for sale investments as well as recognition of certain transitional adjustments that have been recorded for available for sale investments and deferred finance costs. In accordance with the transitional provisions, prior periods have not been restated. The principal changes resulting from these new standards are described below:

Comprehensive income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company currently includes unrealised gains and losses on available for sale securities. The components of comprehensive income are disclosed in the consolidated statements of shareholders' equity and comprehensive income (loss). Cumulative changes in other comprehensive income (loss) are included

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

2. Accounting policies (continued):

in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

Financial instruments

Under Section 3855, financial assets and liabilities, including derivative instruments, are initially recognised and subsequently measured based on their classification as held-for-trading, available for sale financial assets, held-to-maturity, loans and receivables, or other financial liabilities as follows:

- Held-for-trading financial instruments are measured at their fair value with changes in fair value recognised in net income for the period.
- Available for sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet.
- Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.
- Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognised in net income for the period unless the instrument is a cash flow hedge and hedge accounting applies in which case changes in fair value are recognised in other comprehensive income.

Upon adoption of this new standard, the Company designated its short and long term investments as available for sale financial assets and recognises these investments at their fair value to the extent a reliable fair value is determinable. On April 1, 2007, the Company recorded these investments at their fair value of \$20,402 with an offsetting adjustment to AOCI in shareholders' equity. Investments in private companies are recorded at cost as a reliable fair value is not available for such investments. When the investments are sold or otherwise disposed of, gains or losses will be recorded in the consolidated statements of operations.

Cash and cash equivalents are classified as held-for-trading measured at fair value and accounts receivable are classified as loans and receivables measured at amortized cost.

Accounts payable and accrued liabilities, demand instalment loan and long term debt are classified as other financial liabilities and are measured at amortized cost.

As permitted by Section 3855, the Company has elected to defer and amortize transaction costs associated with the issuance of financial instruments. Accordingly, on adoption of Section 3855, transaction costs of \$146 associated with the investment in Wild River Resources Ltd. has been reclassified to long-term investments and transaction costs associated with long term debt of \$774 have been deducted from the proceeds of the debt on initial recognition and are amortized as interest expense using the effective interest rate method over the term of the related debt. Prior to April 1, 2007, the Company amortized transaction costs associated with long-term debt on a straight line basis. Accordingly, the Company recognised a reduction in opening deficit of \$113 as the cumulative effect of the change in amortization of transaction costs associated with long-term debt.

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

2. Accounting policies (continued):

Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company is not currently engaged in hedging activities. Accordingly, adoption of this new standard had no impact on the consolidated financial statements.

3. Inventories:

	September 30, 2007	March 31, 2007
	(Unaudited)	
Parts	\$ 2,668	\$ 2,360
Work-in-progress	1,097	456
Finished goods	55	-
	\$ 3,820	\$ 2,816

4. Long-term investments:

On adoption of Section 3855 on April 1, 2007, the Company values its long-term investments at fair value to the extent it is reliably determinable. Long-term investments include the following:

	September 30, 2007	March 31, 2007
	(Unaudited)	
Clean Energy Fuels Corp. (a)	\$ 30,376	\$ 9,134
Wild River Resources Ltd. (b)	4,127	3,981
Prometheus Energy Co. (c)	103	-
	\$ 34,606	\$ 13,115

- (a) The Company owns approximately 4.56% of Clean Energy Fuels Corp. ("CEFC"), an owner and operator of natural gas refueling facilities. During the six months ended September 30, 2007, the Company sold 92,575 shares of CEFC for net proceeds of \$1,119 resulting in a gain on sale of long-term investment of \$718. As at September 30, 2007, the Company owned 2,016,771 shares of CEFC which have been valued at a closing market price of \$15.06 per share (\$15.14 USD per share) on NASDAQ on September 28, 2007.
- (b) As at September 30, 2007, the Company owned approximately 16% of Wild River Resources Ltd. ("WRRL"), a privately owned oil and gas company, and carries this investment at cost. The Company cannot determine with sufficient reliability the fair value of WRRL due to the absence of a readily available market for the shares of WRRL. On adoption of Section 3855 on April 1, 2007, the Company reclassified the remaining balance of the deferred charges associated with this investment of \$146 to the cost base of WRRL.

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

4. Long-term investments (continued):

(c) The Company's investment in CryoFuel Systems Inc. ("Cryofuels"), a fuel company that produces, sells and distributes liquid natural gas, which had been carried at cost, was fully written off in the fiscal year ended March 31, 2003. Subsequently, Prometheus Energy Co. ("Prometheus"), a public company listed on the Alternative Investment Market of the London Stock Exchange under the symbol PEC, acquired the technology rights and other remaining assets of Cryofuels in exchange for shares in Prometheus. As a result, the Company now owns 147,072 shares of Prometheus which have been valued at \$0.70 per share.

5. Long-term debt:

	September 30, 2007	March 31, 2007
	(Unaudited)	
Capital lease obligations	\$ 98	\$ 135
Bank loan	6,741	6,741
Subordinated convertible notes	-	13,721
	6,839	20,597
Current portion	6,816	6,816
	\$ 23	\$ 13,781

On July 26, 2007, Perseus, LLC ("Perseus") exercised their conversion option and converted the principal amount of their \$22.1 million in subordinated convertible notes into 16,538,653 common shares pursuant to the terms of such subordinated convertible notes. As part of this transaction, the Company agreed to pay an inducement amount to Perseus on each of December 31, 2007 and June 30, 2008, equal to 50% of the aggregate interest payment which Perseus would otherwise have been entitled to receive had the entire principal amount of the subordinated convertible notes been outstanding on such dates. In accordance with EIC-96 – "Accounting for early extinguishment of convertible securities through (1) Early redemption or repurchase and (2) induced early conversion", the Company charged the inducement fee of \$763 to accumulated deficit and recorded the inducement fee payable along with \$121 in accrued interest to accounts payable. On conversion, \$13,258 of long-term debt, representing the carrying value of the notes on July 26, 2007, and the carrying value of the conversion option of \$7,569 of previously included in other equity instruments were reclassified to share capital.

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

6. Other long-term obligations:

	September 30, 2007	March 31, 2007
	(Unaudited)	
Deferred lease inducements	\$ 409	\$ 530
Deferred revenue	1,269	1,190
	\$ 1,678	\$ 1,720

7. Share options:

	Six months ended September 30, 2007		Six months ended September 30, 2006	
	Share options	Weighted average exercise price	Share options	Weighted average exercise price
(Unaudited)				
Outstanding, beginning of year	5,228,993	\$ 1.91	4,968,563	\$ 2.05
Granted	180,000	2.53	543,432	1.18
Exercised	(544,745)	(1.48)	-	-
Cancelled / expired	(32,921)	(3.10)	(169,886)	(2.53)
Outstanding, end of period	4,831,327	\$ 1.97	5,342,109	\$ 1.95
Exercisable, end of period	3,194,188	\$ 2.25	1,483,863	\$ 3.17

The fair value of options granted for purposes of stock-based compensation has been determined using the Black-Scholes option pricing formula using the following weighted average assumptions: expected dividend yield – nil% (2006 – nil%); expected stock price volatility – 57.4% (2006 – 62.2%); risk free interest rate – 4.5% (2006 – 4.9%); expected life of options – 4 years (2006 – 6 years). The average fair value of options granted for the three and six months ended September 30, 2007 was \$1.28 (2006 – \$0.72) and \$1.25 (2006 – \$0.69). During the three and six months ended September 30, 2007, the Company granted a total of 150,000 share options (2006 – 540,573) and 180,000 share options (2006 – 543,432), respectively. During the three and six months ended September 30, 2007, the Company recognised \$269 (2006 – \$118) and \$355 (2006 – \$279) of stock-based compensation associated with stock options that have vested during the current period.

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

8. Other equity instruments:

	September 30, 2007	March 31, 2007
	(Unaudited)	
Value assigned to performance share units	\$ 3,129	\$ 3,363
Value assigned to warrants	1,420	1,420
Value assigned to conversion options (note 5)	-	7,569
	\$ 4,549	\$ 12,352

During the three and six months ended September 30, 2007, the Company granted nil performance share units ("Units") (2006 – 600,000) and 1,188,650 Units (2006 – 915,716), respectively. 79,183 and 166,376 Units were exercised during the three and six months ended September 30, 2007, respectively, and as at September 30, 2007 there are 3,085,433 Units outstanding of which 1,985,435 were exercisable. During the three and six months ended September 30, 2007, the Company recognised stock-based compensation expense of \$27 (2006 – \$90) and \$54 (2006 – \$354) related to units which vested during the period.

The stock-based compensation associated with the 2003 Unit Plan and the stock option plan (note 7), is included in operating expenses as follows:

(Unaudited)	Three months ended September 30		Six months ended September 30	
	2007	2006	2007	2006
Research and development	\$ 22	\$ 44	\$ 42	\$ 75
General and administrative	256	209	333	516
Sales and marketing	18	26	34	42
	\$ 296	\$ 279	\$ 409	\$ 633

9. Research and development expenses:

Research and development expenses are recorded net of program funding received or receivable. For the three and six months ended September 30, 2007 and 2006, the following research and development expenses had been incurred and program funding received or receivable:

(Unaudited)	Three months ended September 30		Six months ended September 30	
	2007	2006	2007	2006
Research and development expenses	\$ 6,358	\$ 6,489	\$ 13,089	\$ 13,264
Program funding	(1,280)	(755)	(2,570)	(1,533)
Research and development	\$ 5,078	\$ 5,734	\$ 10,519	\$ 11,731

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

9. Research and development expenses (continued):

In the six months ended September 30, 2007 program funding is comprised mainly of funding from the Industrial Technologies Office (formerly Technology Partnerships Canada), the Australian Greenhouse Office and the U.S Department of Energy. In the six months ended September 30, 2006 program funding was comprised mainly of funding from Hydrogen Early Adopters (h2EA) Program, Sustainable Development Technology Canada and National Renewable Energy Laboratory. At September 30, 2007, \$2,382 (March 31, 2007 - \$5,150) of funding earned by the Company based on the terms of various funding agreements has not yet been received and is included in accounts receivable.

10. Investment in Joint Venture:

The consolidated financial statements include the assets, liabilities, revenue and expenses of Cummins Westport Inc. ("CWI") as at and for all periods presented. From January 1, 2005, Cummins Inc. ("Cummins") shares equally in the profits and losses of CWI. However, the Company has determined that CWI is a variable interest entity and that the Company is the primary beneficiary. Accordingly, the Company continues to consolidate CWI with Cummins' share of CWI's income and losses included as "Joint Venture Partner's share of income from joint venture".

Assets, liabilities, revenue and expenses of CWI included in the consolidated financial statements of the Company as at and for the periods presented are as follows:

	September 30, 2007	March 31, 2007
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 13,906	\$ 43
Short-term investments	-	8,017
Accounts receivable	4,927	5,771
Prepaid expenses	52	354
Current portion of future income tax asset	1,518	1,778
	20,403	15,963
Future income tax asset	1,432	1,677
Equipment, furniture and leasehold improvements	182	184
	\$ 22,017	\$ 17,824
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,407	\$ 760
Deferred revenue	-	303
Current portion of warranty liability	3,599	3,767
	\$ 5,006	\$ 4,830
Long term liabilities:		
Deferred revenue	\$ 382	\$ -
Warranty liability	2,851	3,091

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

10. Investment in Joint Venture (continued):

	Three months ended		Six months ended	
	September 30		September 30	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Product revenue	\$ 14,467	\$ 9,982	\$ 25,186	\$ 17,199
Parts revenue	4,530	3,401	8,418	6,379
	18,997	13,383	33,604	23,578
Cost of revenue and expenses:				
Cost of revenue	13,154	8,607	22,649	14,765
Research and development	1,498	1,983	3,476	3,647
General and administrative	258	205	424	490
Sales and marketing	1,563	1,195	2,680	1,932
	16,473	11,990	29,229	20,834
Income before undernoted	2,524	1,393	4,375	2,744
Interest and other income	221	-	398	-
Effect of foreign currency translation gain (loss)	(65)	(1)	(579)	176
Income before income taxes	2,680	1,392	4,194	2,920
Income tax expense:				
Current	59	-	116	-
Future	209	-	506	-
	268	-	622	-
Income for the period	2,412	1,392	3,572	2,920
Joint Venture Partner's share of income from joint venture	(1,206)	(696)	(1,786)	(1,460)
Company's share of income from joint venture	\$ 1,206	\$ 696	\$ 1,786	\$ 1,460

11. Segmented information:

The Company currently operates in one operating segment which involves the research and development and the related commercialization of engines and fuel systems operating on gaseous fuels. The majority of the Company's equipment, furniture and leasehold improvements are located in Canada. For the three months and six months ended September 30, 2007, 52% (2006 – 66%) and 51% (2006 – 69%) respectively of the Company's revenue was from sales in North America, 31% (2006 – 3%) and 31% (2006 – 4%) from sales in Asia, and 17% (2006 – 31%) and 18% (2006 – 27%) from sales elsewhere.

WESTPORT INNOVATIONS INC.

Notes to Consolidated Financial Statements (unaudited)
(Expressed in thousands of Canadian dollars except share amounts)

Three and six months ended September 30, 2007 and 2006

12. Subsequent event:

On October 26, 2007, the Company and OMVL SpA entered into a joint venture agreement, engineering agreements and supply agreements to design, produce and sell alternative fuel engines in the sub-5 litre class for global applications. Under the terms of the joint venture agreement, OMVL SpA and Westport will have 51% and 49%, respectively, of the profits arising from the venture. The jointly controlled company will be headquartered in Vancouver, Canada and will exploit the global engineering, production and distribution strengths of OMVL and its parent company, SIT Group, to deliver engines worldwide. Westport will support the new venture through supply of technology, design, testing and market development services. OMVL SpA and Westport will each contribute \$1,500 to the formation of the venture.