Consolidated Financial Statements
(Expressed in Canadian dollars)

Finavera Wind Energy Inc.

December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Finavera Wind Energy Inc.

We have audited the accompanying consolidated financial statements of Finavera Wind Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Finavera Wind Energy Inc. as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2(a) to the consolidated financial statements which describes that Finavera Wind Energy Inc. has a history of incurring losses, a significant working capital deficiency and will be required to raise additional capital or realize cash proceeds from the final contingent payment associated with the sale of the Cloosh Valley Wind Project in order to meet its obligations and continue as a going concern. These conditions, along with other matters as set forth in note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about Finavera Wind Energy Inc.'s ability to continue as a going concern.

KPMG LLP (signed)

Chartered Accountants

June 8, 2015
Vancouver, Canada

FINAVERA WIND ENERGY INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2014	December 31, 2013
Assets			
Current assets:			
Cash		$ 155,448	$ 34,404
Advance to related party	12(e)	180,000	-
Restricted cash		12,364	12,241
Receivables		62,389	8,051
Prepaid expenses		15,982	34,174
Other assets	7	-	1,750,000
		426,183	1,838,870
Non-current assets:			
Property and equipment	5	21,150	26,542
Project development costs and other assets held for sale	6	-	8,867,687
Other assets	7	51,964	159,501
Investment in Cloosh Valley Wind Project	8	-	613,247
		73,114	9,666,977
		$ 499,297	$ 11,505,847
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Accounts payable and accrued liabilities	12	$ 3,130,131	$ 3,452,611
Loans and borrowings	15	2,586,480	18,974,923
Provisions	16	766,035	2,733,278
		6,482,646	25,160,812
Non-current liabilities:			
Loans and borrowings	15	1,475	5,674,208
Provisions	16	101,762	258,828
		6,585,883	31,093,848
Shareholders' deficiency:			
Share capital	9	34,984,271	34,984,271
Contributed surplus		10,761,494	10,561,886
Accumulated deficit		(51,832,351)	(65,134,158)
		(6,086,586)	(19,588,001)
		$ 499,297	$ 11,505,847

Going concern (note 2(a))
Contingencies and commitments (note 14)
Subsequent events (notes 14(b), 14(d), 15(v), 15(x) and 18)

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

Approved on behalf of the Board:

Signed "Jason Bak" Director

Signed "David Lamont" Director

FINAVERA WIND ENERGY INC.

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2014 and 2013
(Expressed in Canadian dollars)

	Note	2014	2013
Operating expenses:			
Depreciation of property and equipment		$ 7,836	$ 33,638
Insurance and filing fees		114,431	117,964
Marketing and advertising		10,811	9,351
Office, rent and utilities		59,048	255,915
Payroll and benefits		955,117	990,579
Professional fees		430,555	455,807
Stock-based compensation	10	199,608	220,243
Travel		50,513	52,449
Loss before undernoted item		(1,827,919)	(2,135,946)
Other income (expenses):			
Gain on sale of BC Projects	6	14,275,818	-
Gain on sale of investment in Cloosh Valley Wind Project	8	2,434,254	-
Project development costs	6	(77,524)	(3,993,323)
Accrual of contractual payroll obligations	12(c)	(660,000)	-
Impairment of wind projects and wind monitoring equipment	6	-	(459,022)
Other provisions	16	(70,000)	(680,000)
Loss on disposal of property, plant and equipment and other		(1,959)	(71,910)
		15,900,589	(5,204,255)
Net finance income (expense):			
Financing fees and interest expense		(980,805)	(2,506,370)
Gain on forgiveness of accounts payable and other debts		341,092	-
Interest and other income		29,958	18,847
Foreign exchange loss		(161,108)	(133,197)
Amortization of flow through premium		-	20,249
		(770,863)	(2,600,471)
Income (loss) before income tax recovery		13,301,807	(9,940,672)
Deferred income tax recovery	17	-	2,815
Income (loss) and comprehensive income (loss) for the year		$ 13,301,807	$ (9,937,857)
Income (loss) per share – basic and diluted	9(c)		
Basic		$ 0.33	$ (0.25)
Diluted		0.33	(0.25)
Weighted average number of common shares outstanding	9(c)		
Basic		39,726,649	39,624,495
Diluted		40,355,651	39,624,495

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

FINAVERA WIND ENERGY INC.

Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

For the years ended December 31, 2014 and 2013

	Note	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total shareholders' deficiency
Balance, December 31, 2012		$ 34,916,770	$ 21,243	$ 10,323,215	$ (55,196,301)	$ (9,935,073)
Comprehensive loss for the year		-	-	-	(9,937,857)	(9,937,857)
Transactions with owners, recorded directly in equity:						
Shares issued to settle debts	9(a)	67,501	-	-	-	67,501
Stock-based compensation expense	10	-	-	220,243	-	220,243
Warrants expired		-	(21,243)	21,243	-	-
Tax effect of warrants expiry	9(b)	-	-	(2,815)	-	(2,815)
		67,501	(21,243)	238,671	(9,937,857)	(9,652, 928)
Balance, December 31, 2013		34,984,271	-	10,561,886	(65,134,158)	(19,588,001)
Comprehensive income for the year		-	-	-	13,301,807	13,301,807
Transactions with owners, recorded directly in equity:						
Stock-based compensation expense	10	-	-	199,608	-	199,608
Balance, December 31, 2014		$ 34,984,271	$ -	$ 10,761,494	$ (51,832,351)	$ (6,086,586)

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

FINAVERA WIND ENERGY INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended December 31, 2014 and 2013

	Note	2014	2013
Cash flows provided by (used in):			
Operating activities:			
Income (loss) for the period		$ 13,301,807	$ (9,937,857)
Items not affecting operating cash:			
Gain on sale of investment in Cloosh Valley Wind Project	8	(2,434,254)	-
Gain on sale of BC Projects	6	(14,275,818)	-
Net finance expense		770,863	2,600,471
Project costs expensed		77,524	3,993,323
Depreciation		7,836	33,638
Loss on disposal of property, plant and equipment		1,959	71,910
Stock-based compensation		199,608	220,243
Other provisions		70,000	680,000
Deferred income tax recovery		-	(2,815)
Write-down of wind projects		-	459,022
		(2,280,475)	(1,882,065)
Changes in:			
Receivables		(54,338)	62,413
Prepaid expenses		18,192	(12,325)
Accounts payable and accrued liabilities		437,706	(844,189)
Net cash used in operating activities		(1,878,915)	(2,676,166)
Investing activities:			
Proceeds from sale of BC Projects	6	1,150,000	-
Proceeds from sale of investment in Cloosh Valley Wind Project	8	510,159	-
Advanced to related party		(180,000)	-
Project development costs refund received		121,606	-
Project development costs paid		(1,721)	(2,018,623)
Investment in Cloosh Valley Wind Project	8	-	(330,540)
Purchase of property and equipment		(4,554)	-
Interest received		29,958	4,959
Increase in deposits	7	(17,463)	-
Net cash provided by (used in) investing activities		1,607,985	(2,344,204)
Financing activities:			
Proceeds from loans and promissory note	15	539,275	5,281,224
Interest and financing fees paid		-	(194,295)
Loans repaid	15	(147,301)	(850,000)
Net cash provided by financing activities		391,974	4,236,929
Increase (decrease) in cash		121,044	(783,441)
Cash, beginning of year		34,404	817,845
Cash, end of year		$ 155,448	$ 34,404

See note 11 for supplemental cash flow information

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

1. Reporting entity:

Finavera Wind Energy Inc., ("Finavera" or the "Company") has developed and sold pre-construction wind power projects in Canada and Ireland. As the Company is in the development phase, it has not generated any operating income from wind power projects. The Company has financed its operations through issuances of debt and equity and the sale of assets. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "FVR".

On April 15, 2014 the Company completed the sale of its Meikle and Tumbler Ridge Wind Energy Projects (the "BC Projects") to Pattern Renewable Holdings Canada ULC ("Pattern") pursuant to a Purchase and Sale Agreement ("PSA") (note 6) (the "Pattern Transaction"). Proceeds of $9.3 million on closing of the Pattern Transaction were fully applied against a loan from Pattern. On July 14, 2014, the Company and Pattern entered into an agreement (the "Pattern Settlement") whereby the parties early closed a final payment that the Company was to receive at the financial close of the Meikle project. The Company settled all of its debts with Pattern including a Development Loan, a Working Capital Facility, interest, other amounts deductible under the PSA and certain legal fees.

On July 18, 2014 the Company sold its remaining 10% interest in the Cloosh Project (the "Cloosh Sale") to SSE Renewables (Ireland) Limited (a unit of SSE plc ("SSE")), and applied the proceeds substantially against secured creditor debts, interest and legal fees.

As a result of these transactions, as at December 31, 2014, the Company did not have any operating assets.

2. Basis of preparation:

(a) Going concern:

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred operating losses since inception and currently has no operating assets. At December 31, 2014, the Company had a significant working capital deficiency of $6.1 million (December 31, 2013 - $23.3 million) and had an accumulated deficit of $51.8 million (December 31, 2013 - $65.1 million).

Finavera's ability to continue as a going concern is dependent on the Company's ability to realize cash proceeds from the final milestone payment associated with the sale of its Cloosh Valley Wind Project ("Cloosh Project"), and its ability to raise debt or equity funding to fulfill its obligations.

The Company expects to receive in second half of 2015 a final payment of €7.1 million from the 2010 sale to SSE of its 90% interest in the Cloosh Project (note 8). The final payment is payable when SSE obtains financing for the project's construction.

2. Basis of preparation (continued):

(a) Going concern (continued):

Subsequent to the Pattern Settlement and the Cloosh Sale, the Company remains in a significant working capital deficiency. Furthermore, the timing and receipt of the remaining €7.14 million due from SSE, payable at financial close of the Cloosh project, cannot be guaranteed. The conditions described above give rise to a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments that would be necessary to the carrying value of its assets and liabilities, its reported expenses, and the statement of financial position, and the classifications used, should the Company conclude that the going concern assumption is not appropriate. Such adjustments could be material.

(b) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Board of Directors on June 8, 2015.

(c) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis.

(d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and all its subsidiaries.

(e) Use of estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

2. Basis of preparation (continued):

(e) Use of estimates and judgements (continued):

Significant areas requiring the use of judgement relate to the assessment of the Company's ability to continue as a going concern (note 2(a)) and the Company's ability to utilize tax losses and the rates at which those losses will be realized. Information about significant areas requiring the use of management estimates are included in the relevant notes for the following estimates: the estimated amount of asset retirement obligations and other provisions for contingent liabilities (notes 14 and 16) and the calculation of the fair values of stock-based compensation (note 10) and financial instruments for measurement and disclosure purposes (note 4).

3. Significant accounting policies:

The accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These accounting policies have been applied consistently by the Company and its subsidiaries to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued):

(b) Foreign currency:

(*i*) Foreign currency transactions:

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at the financial statement date. Such exchange gains or losses arising from translation are recognized in profit and loss for the reporting period.

The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period.

(*ii*) Translation of foreign operations for consolidation:

For purposes of consolidation, the assets and liabilities of foreign operations with functional currencies other than the Canadian dollar are translated to Canadian dollars using the rate of exchange in effect at the financial statement date. Revenue and expenses of the foreign operations are translated to Canadian dollars at exchange rates at the date of the transactions with the average exchange rate for the period being used for practical purposes. Foreign currency differences resulting from translation of the accounts of foreign operations are recognized directly in other comprehensive income and are accumulated in the translation reserve as a separate component of shareholders equity.

When a foreign operation is disposed of, the amount of the associated translation reserve is fully transferred to profit or loss.

(c) Financial instruments:

(*i*) Non-derivative financial assets and liabilities:

Non-derivative financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Loans, receivables and deposits are recognized on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*i*) Non-derivative financial assets and liabilities (continued):

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets as Financial Assets at Fair Value Through Profit or Loss ("FVTPL"); held-to-maturity financial assets; loans and receivables; or available-for-sale financial assets, and classifies financial liabilities as FVTPL or as other financial liabilities.

Financial instruments at FVTPL:

A financial instrument is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company has no financial instruments classified or designated as FVTPL.

Held-to-maturity financial assets:

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company has no financial assets classified as held-to-maturity.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash, restricted cash, receivables, advances to related party and deposits included in other assets.

Restricted cash is comprised of a term deposit plus accrued interest, pledged as collateral against the Company's leased equipment as at December 31, 2014 and 2013.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*i*) Non-derivative financial assets and liabilities (continued):

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the previous categories. Subsequent to initial recognition, instruments with a determinable fair value are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income. Where fair value is not determinable for unquoted equity instruments, the financial instrument is recorded at historical cost. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company's available-for-sale financial asset in prior years comprised of its investment in the Cloosh Valley Wind Project which was recorded at historical cost. This investment was sold in 2014 and the Company has no available for sale financial assets as at December 31, 2014.

Other liabilities:

The Company classifies non-derivative financial liabilities as other financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest rate method. Other financial liabilities comprise accounts payable and loans and borrowings.

(*ii*) Derivative financial instruments:

Derivatives, including embedded derivatives, for which the economic characteristics and risks are not closely related to those of the host contract, are recognized initially and subsequently at fair value with changes in fair values recognized in profit or loss. The Company has no derivatives or embedded derivatives.

(iii) Compound financial instruments:

Compound financial instruments are instruments that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. The Company has no compound financial instruments outstanding.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(*iv*) Share capital:

Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Flow-through common shares:

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to temporary taxable differences.

Upon issuance of flow-through shares, the quoted value of common shares is recorded as an increase in share capital. The difference (premium) between the amounts recognized in share capital and the amount paid by the investor is recognized as a flow-through share obligation and is reversed into earnings at the time the flow-through expenditures have been incurred and are renounced or expected to be renounced to the shareholder.

When flow-through expenditures are incurred and renounced, or expected to be renounced, the Company records the tax effect as a charge to profit or loss and an increase to deferred income tax liabilities. To the extent that the Company has deferred income tax assets that were not recognized in previous years, a deferred income tax recovery is recorded in profit or loss.

(d) Property and equipment:

(*i*) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When major components of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

3. Significant accounting policies (continued):

(d) Property and equipment (continued):

(*i*) Recognition and measurement (continued):

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized within other income in profit or loss.

(*ii*) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(*iii*) Depreciation:

Depreciation is recorded over the estimated useful lives of each material component of an item of property and equipment. Depreciation is based on the cost of an asset less its residual value. No depreciation is recognized for assets classified as held for sale.

Depreciation is recognized in profit or loss either on a straight-line basis or on a declining basis, depending on which method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer and related equipment	Declining balance	30%
Office furniture and equipment	Declining balance	20%
Weather monitoring equipment	Declining balance	40%
Leasehold improvements	Straight-line	Over the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3. Significant accounting policies (continued):

(e) Project development costs and intangible assets:

Development costs are charged as an expense in the period in which they are incurred unless they meet criteria for capitalization as intangible assets. Direct costs associated with the Company's wind projects are capitalized as an intangible asset if and when technical feasibility, economic viability, and availability of technical and financial resources to complete the development are demonstrated. The expenditures capitalized include the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Amounts are capitalized by project and will be amortized over the useful lives of the projects, upon commencement of commercial operations. As at December 31, 2014, there were no capitalized project costs.

The recovery of all project development costs, whether capitalized or expensed, requires the successful completion of the projects or the sale of project interests to a third party for net proceeds in excess of carrying value. The successful completion of wind projects are dependent upon obtaining the necessary environmental approvals, permits and other licenses, obtaining the necessary project financing to complete construction of the projects, completion of memorandums of understanding with certain First Nations and local communities, and the long-term generation and sale of sufficient electricity on a profitable basis.

(f) Impairment:

(*i*) Loans and receivables:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables and deposits at a specific asset level.

3. Significant accounting policies (continued):

(f) Impairment (continued):

(*i*) Loans and receivables (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and for receivables are reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, which include its property and equipment and capitalized project development costs, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued):

(g) Employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(h) Share-based payment transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Asset retirement obligations:

The Company recognizes a provision for asset retirement obligations in the period in which it incurs a legal or constructive obligation associated with the acquisition, construction, development and/or normal use of its assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related asset which is amortized over the life of the asset.

(ii) Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

The Company is not subject to any material onerous contract provisions.

3. Significant accounting policies (continued):

(j) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for in the period in which they are incurred.

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

Lease revenue received for sub-leasing of premises is recognized on a monthly basis when amounts are received or receivable.

(k) Finance income and finance costs:

Finance income comprises interest income on funds invested and the amortization of flow through share premiums.

Finance costs comprise interest expense on loans and borrowings, commissions on financings, unwinding of discounts on provisions and foreign exchange losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Borrowing costs for projects classified as held for sale are expensed as incurred.

Foreign currency gains and losses are reported on a net basis.

3. Significant accounting policies (continued):

(l) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or if their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Earnings per share:

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for any shares held by the Company. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which currently comprise of options granted under the Company's Stock Option Plan.

3. Significant accounting policies (continued):

(n) Segment reporting:

Operating segments are based on the information about the components of the entity that management uses to make decisions about operating matters. The Company and its subsidiaries engage in one main business activity, hence operating segment information is not provided. Geographical segment information is provided by country of operations in note 13.

(o) New accounting standards adopted for the 2014 fiscal year:

There were no standards that were effective for the Company on January 1, 2014 that impacted the consolidated financial statements.

(p) New accounting policies not yet adopted:

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2015. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

IFRS 9 - Financial Instruments

This new standard is a partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This new standard is tentatively effective for annual periods beginning on or after January 1, 2018.

The Company has not early adopted this revised standard and is currently assessing the impact that this standard will have on its consolidated financial statements.

4. Financial instrument risk management:

Overview:

The Company is exposed to a number of risks arising from its use of financial instruments. The Company is or may be subject to certain risks including credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Financial instrument risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results, and increase overall financial strength.

Individual risks and the Company's approach to managing such risks are discussed as below.

4. Financial instrument risk management (continued):

Credit risk:

Credit risk is the risk that a counterparty to a financial asset will default, resulting in non-collectability and arises mainly from its cash, restricted cash, receivables, advance to related party and its deposits. The carrying amount of these assets of $462,165 represents the Company's maximum exposure to credit risk. The Company's cash and restricted cash is held with credit worthy Canadian financial institutions, receivables are primarily related to recoverable sales taxes from the Government of Canada, and advance to related party expects to be offset against previously accrued obligations. The Company has assessed the credit risk of these instruments to be negligible. The Company did not have an allowance for doubtful accounts at December 31, 2014 or 2013 nor did it incur any material bad debt expenses in those years.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company is subject to liquidity risk from its accounts payable and accrued liabilities and loans and borrowings. The Company currently has a significant working capital deficiency and has no credit facility with a financial institution (see note 2(a)). The Company has sold all of its material assets to improve liquidity over the longer term future of the Company (notes 6 and 8).

4. Financial instrument risk management (continued):

Liquidity risk (continued):

The following table represents the contractual cash flows including estimated interest payments, related to the financial liabilities of the Company:

December 31, 2014

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-2 years
Accounts payable and accrued liabilities	$ 3,130,131	$ 3,130,131	$ 3,130,131	$ -	$ -
Promissory note (note 15)	1,455,470	1,517,463	-	1,517,463	-
Loans payable on demand (note 15)	1,024,991	1,024,991	1,024,991	-	-
Other loan	97,339	97,339	97,339	-	-
Finance lease obligations (note 15)	10,155	10,155	2,709	5,971	1,475
	$ 5,718,086	$ 5,780,079	$ 4,255,170	$ 1,523,434	$ 1,475

December 31, 2013

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-2 years
Accounts payable and accrued liabilities	$ 3,452,611	$ 3,452,611	$ 3,452,611	$ -	$ -
GE Payout Loan (note 15)	10,638,289	10,812,092	-	9,260,621	1,551,471
Other secured loans (note 15)	12,700,545	13,929,589	4,031,419	5,068,583	4,829,587
Promissory note (note 15)	1,209,025	1,309,722	-	1,309,722	-
Other loans (note 15)	82,251	82,251	82,251	-	-
Finance lease obligations (note 15)	19,021	19,021	2,224	6,671	10,126
	$ 28,101,742	$ 29,605,286	$ 7,568,505	$ 15,645,597	$ 6,391,184

Market risk:

Market risk is the risk to the Company of adverse financial impacts due to changes in the fair value or future cash flows of financial instruments primarily as a result of fluctuations in interest rates and foreign exchange rates.

4. Financial instrument risk management (continued):

Market risk (continued):

(*i*) Interest rate risk:

The Company's interest rate risk on loans and borrowings has been mitigated by fixing interest rates at the inception of the loans. At December 31, 2014 and 2013, the Company had no debt subject to floating interest rates.

The Company's interest income from cash and restricted cash is also subject to interest rate risk, but such risk is not considered material based on the balances on hand and the Company's expectation of interest rates in the foreseeable future.

(ii) Currency risk:

The Company has a loan payable denominated in United States dollars and accounts payable denominated in United States dollars and Euros, totaling approximately US$1,460,000 and €662,000 as at December 31, 2014, and is therefore subject to currency risk. The Company does not currently use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates. An increase (decrease) in the US dollar and Euro exchange rates of 10% relative to the Canadian dollar would increase (decrease) net loss by approximately $169,000 and $93,000, respectively.

(iii) Capital management:

The Company's capital is comprised of shareholders' equity and loans and borrowings. Finavera's overall objective has been to maintain sufficient capital to enable the Company to continue as a going concern and allow it to develop or dispose of certain wind project interests. The corporate objective has been to utilize debt financing to minimize shareholder dilution, and depending on terms, to issue equity securities as a means of raising capital. Market conditions impact the ability of the Company to maintain a balance between debt and equity. At December 31, 2014, the Company is not subject to any specific externally imposed capital requirements. The Company's capital management strategy has not changed during 2014.

Fair values:

Financial instruments measured at fair value or for which fair value is disclosed are categorized within a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value of financial instruments, as follows:

- Level 1: quoted prices (unadjusted) in active markets or identical assets or liabilities;
- Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. Financial instrument risk management (continued):

Fair values (continued):

As at December 31, 2014 and 2013, the Company does not have any financial instruments measured at fair value. The fair values disclosed below for loans and borrowings are classified as level 2.

The carrying values of the Company's cash, restricted cash, receivables, deposits, and accounts payable approximate their fair values because of their short term to maturity and/or the interest rates being charged. The fair value of the Company's loans and borrowings that are payable on demand, or that are past due, approximate their carrying value due to their short-term to maturity. The fair value of the Company's other loans and borrowings are estimated to not differ materially from the carrying value due to the terms to maturity, loan security and the interest rates being charged.

5. Property and equipment:

	Office furniture and equipment	Computer and related equipment	Leasehold improvement	Weather monitoring equipment	Total
Cost					
Balance at January 1, 2013	$ 137,963	$ 78,878	$ 54,143	$ 1,778,000	$ 2,048,984
Additions	-	-	-	-	-
Disposals	(132,085)	(6,271)	(54,143)	-	(192,499)
Reclassified to assets held for sale	-	-	-	(1,778,000)	(1,778,000)
Balance at December 31, 2013	5,878	72,607	-	-	78,485
Additions	-	4,554	-	-	4,554
Disposals	-	(8,579)	-	-	(8,579)
Balance at December 31, 2014	$ 5,878	$ 68,582	$ -	$ -	$ 74,460
Accumulated depreciation and impairments					
Balance at January 1, 2013	$ 78,281	$ 41,971	$ 17,642	$ 1,370,635	$ 1,508,529
Deprecation for the year	11,937	11,072	10,629	-	33,638
Disposals	(87,115)	(4,203)	(28,271)	-	(119,589)
Reclassified to assets held for sale	-	-	-	(1,370,635)	(1,370,635)
Balance at December 31, 2013	3,103	48,840	-	-	51,943
Depreciation for the year	555	7,281	-	-	7,836
Disposals		(6,469)	-	-	(6,469)
Balance at December 31, 2014	$ 3,658	$ 49,652	$ -	$ -	$ 53,310
Carrying amounts					
At December 31, 2013	$ 2,775	$ 23,767	$ -	$ -	$ 26,542
At December 31, 2014	2,220	18,930	-	-	21,150

6. Project development costs and other assets held for sale:

The Company had been developing four wind projects in north-central British Columbia known as the Meikle, Tumbler Ridge, Bullmoose and Wildmare Wind Energy Projects since 2005. Pursuant to the PSA dated April 26, 2013 and its subsequent amendments, the Company agreed to sell its Meikle and Tumbler Ridge Wind Energy Projects (together the "BC Projects") to Pattern for total compensation of up to $26.4 million. Pursuant to a Development Loan Facility signed and executed concurrently with the PSA on April 15, 2014, Pattern began undertaking and financing project development activities on the BC Projects on behalf of the Company.

On closing of the Pattern Transaction on April 15, 2014, i) an amount of $9.3 million was paid by Pattern and was fully applied against a loan owing to Pattern, ii) the Company, Pattern and BC Hydro executed agreements for the assignment of the 184 MW Meikle Electricity Purchase Agreement ("EPA") from Finavera to Pattern, iii) Pattern replaced the Company's BC Hydro performance and interconnection security with their own security in respect of the BC Projects purchased, and iv) the EPA's for the Tumbler Ridge, Wildmare and Bullmoose wind projects were cancelled by BC Hydro.

On July 14, 2014, the Company and Pattern entered into the Pattern Settlement whereby the parties early closed the final payment that the Company was to receive at the financial close of the Meikle project. The Company settled all of its debts with Pattern, including the Development Loan, Working Capital Facility, interest, other amounts deductible under the PSA and certain legal fees.

	Pattern Transaction	Pattern Settlement	Total
Proceeds from sale of BC Projects	$ 9,260,621	$ 14,860,006	$ 24,120,627
Assumption by Pattern of asset retirement obligations	157,066	-	157,066
Transaction cost	(550,000)	(150,000)	(700,000)
Carrying value of BC Projects	(8,867,687)	-	(8,867,687)
Loss on settlement of Development Loan	-	(434,188)	(434,188)
Gain on sale of BC Projects	$ -	$14,275,818	$ 14,275,818

6. Project development costs and other assets held for sale (continued):

The net proceeds were used as follows:

	Pattern Transaction	Pattern Settlement	Total
Proceeds from the sale of the BC Projects	$ 9,260,621	$14,860,006	$24,120,627
Transaction costs paid	-	(150,000)	(150,000)
Net Proceeds	9,260,621	14,710,006	23,970,627
Payment of GE Payout Loan and interest	(9,260,621)	(1,551,470)	(10,812,091)
Payment of Development Loan	-	(4,967,281)	(4,967,281)
Payment of Working Capital Facility	-	(6,701,255)	(6,701,255)
Payment of accounts payable	-	(250,000)	(250,000)
Payment of project costs	-	(90,000)	(90,000)
Net cash received	$ -	$1,150,000	$1,150,000

The Company's Wildmare and Bullmoose wind energy projects were not sold to Pattern. However, pursuant to the PSA, Pattern has an option to acquire these projects for two years from the date of closing of the Pattern Transaction for $100,000 per MW.

In 2014 and 2013, the Company expensed all costs related to the Meikle and Tumbler Ridge projects in excess of the $8.9 million recorded on the balance sheet, being the estimated fair value less costs to sell as at December 31, 2013. The fair value was determined with reference to the consideration received from Pattern on closing of the Pattern Transaction in April 2014 which includes settlement of the principal portion of the GE Payout Loan (note 15(iii)) and the assumption by Pattern of the asset retirement obligations associated with the sold projects. In addition, the Company also expensed project costs related to its Bullmoose and Wildmare projects. Although those projects were written off in 2012, the Company has retained its licenses and permits but has stopped collecting wind site data.

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6. Project development costs and other assets held for sale (continued):

A summary of the carrying value of the project development costs and other assets held for sale is as follows:

	Meikle Project	Tumbler Ridge Project	BC Projects Total
Balance, January 1, 2013	$ 3,738,320	$ 5,181,024	$ 8,919,344
Carrying value of weather monitoring equipment transferred from property and equipment	224,677	182,688	407,365
Impairment charges	(224,677)	(234,345)	(459,022)
Balance, December 31, 2013	3,738,320	5,129,367	8,867,687
Sale of BC Projects	(3,738,320)	(5,129,367)	(8,867,687)
Balance, December 31, 2014	$ -	$ -	$ -

During the year ended December 31, 2013, the Company recognized an impairment charge of $459,022 primarily related to weather monitoring equipment

The costs expensed on the Company's wind projects during the years ended December 31, 2014 and 2013 are as follows:

2014

	Meikle	Tumbler Ridge	Bullmoose	Wildmare	Total
Engineering	$ 24,963	$ -	$ -	$ -	$ 24,963
Land dues, fees and permits	4,331	25,267	113	1,034	30,745
Project insurance	9,030	4,262	4,262	4,262	21,816
Total	$ 38,324	$ 29,529	$ 4,375	$ 5,296	$ 77,524

2013

	Meikle	Tumbler Ridge	Bullmoose	Wildmare	Other	Total
Engineering	$ 1,544,408	$ 10,182	$ -	$ 3,515	$ -	$ 1,558,105
Environmental	173,152	180,282	3,464	4,455	-	361,353
First Nations payments	494,414	47,870	20,000	45,200	-	607,484
Land dues, fees and permits	164	58,797	1,500	2,907	3,467	66,835
Project insurance	15,235	9,650	9,650	9,650	-	44,185
Project management and integration	421,623	172,363	28,010	46,327	-	668,323
Expenses recovery	-	-	-	(63,943)	-	(63,943)
Legal, accounting, professional fees	475,981	275,000	-	-	-	750,981
Total	$ 3,124,977	$ 754,144	$ 62,624	$ 48,111	$ 3,467	$ 3,993,323

7. Other assets:

This balance is comprised of the following items:

	December 31, 2014	December 31, 2013
Deposits related to letters of credit (i)	$ -	$ 1,750,000
BC License of Occupation security deposits (ii)	19,000	146,000
Office lease deposit	32,964	13,501
	51,964	1,909,501
Less current portion	-	(1,750,000)
	$ 51,964	$ 159,501

(i) The Company had $1.75 million of funds on deposit with a financial institution to support letters of credit issued by the institution in favour of BC Hydro as security for the Company's BC wind project commitments pursuant to its Standard Generator Interconnection Agreements ("SGIAs"). Prior to the closing of the Pattern Transaction in mid-April 2014, the deposits were released and applied against a Working Capital Facility provided by Pattern (note 15(ix)).

(ii) The Company has $19,000 on deposit with the BC Ministry of Forests, Lands, and Natural Resource Operations in respect of its remaining licenses of occupation. The funds are being held in a non-interest bearing trust by the Provincial Treasury. In 2013, the Company also had $125,000 of funds on deposit for a General Area License of Occupation in BC, which was assigned to Pattern at the time the Pattern Transaction closed, which was also applied against the Working Capital Facility provided by Pattern. The funds were being held in a non-interest bearing trust by the Provincial Treasury.

8. Investment in Cloosh Valley Wind Project:

The Cloosh Valley Wind Project (the "Cloosh Project"), is a 105 MW late stage wind development project in County Galway, Ireland, with a position in the Irish transmission connection queue. In 2011, the project received full planning permission and is currently nearing the construction phase.

On August 25, 2010, the Company, which held a 100% interest in the Cloosh Project, signed an agreement with SSE to sell a 90% interest in the Cloosh Project to SSE for €8.4 million of which €1.26 million was received upon execution of the agreements with the remaining €7.14 million receivable at the closing of the Cloosh Project construction financing. The remaining amount to be received is based on the Cloosh Project being 105 MW in size. The remaining 10% interest was sold to SSE on July 18, 2014 for €2.1 million.

Gross proceeds from sale of remaining 10% interest in Cloosh Project	$ 3,047,100
Reimbursement of prior year project contributions	348,810
Forgiveness of accrued project contributions	139,916
Total consideration	3,535,826
Carrying value of Cloosh Project	(643,699)
Transaction costs	(457,873)
Gain on sale of 10% of Cloosh Project	$ 2,434,254

The net proceeds were used as follows:

Gross proceeds	$ 3,047,100
Reimbursement of prior year project contributions	348,810
Transaction costs paid	(95,123)
Net Proceeds	3,300,787
Loan repayment (note 15(ii))	(2,344,816)
Payment of legal fees previously accrued in provisions	(445,812)
Net cash received	$ 510,159

The transaction costs related to the above transaction includes $362,750 (€250,000) payable to SSE for reimbursement of their legal costs associated with the transaction which amount will be deducted from the remaining amount receivable at the closing of the Cloosh Project construction financing.

9. Share Capital and other components of equity (continued):

Share capital:

Authorized: Unlimited number of common shares with no par value; and

100 Redeemable Preferred shares

Issued: 39,726,649 common shares

	Number of shares	Amount
Issued and outstanding common shares as at December 31, 2012	39,405,216	$ 34,916,770
Shares for debt settlements (a)	321,433	67,501
Issued and outstanding common shares as at December 31, 2013 and 2014	39,726,649	$ 34,984,271

(a) Shares issued to settle debt

On April 26, 2013, the Company issued 321,433 shares at a price of $0.21 per share to extinguish outstanding debt of $67,501.

(b) Warrants:

The following schedule shows changes in the warrants during 2014 and 2013:

	Number of warrants	Amount
Balance, January 1, 2013	535,700	$ 21,243
Warrants expired - April 2013	(535,700)	(21,243)
Balance, December 31, 2013 and 2014	-	$ -

During the year ended December 31, 2013, a total of 535,700 warrants expired and their fair value of $21,243 was transferred to contributed surplus. The tax effect of the expiration of the warrants has been recorded as an adjustment to contributed surplus of $2,815 during the year ended December 31, 2013.

(c) Basic and dilutive earnings (loss) per share

For the year ended December 31, 2014, 1,136,900 (2013 – 1,621,700) stock options were not included in the determination of fully diluted earnings (loss) per share as they were anti-dilutive.

10. Share-based payment:

The Company has a common share Stock Option Plan (equity-settled).

The Board of Directors of the Company may from time to time, at its discretion, and in accordance with the requirements of the TSX-V, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant. There are no vesting requirements pursuant to the stock option plan. The Board may add such provisions at its discretion on a grant-by-grant basis. However, stock options granted in respect of investor relations activities must vest quarterly over a minimum one year period, pursuant to TSX-V policy.

The Board of Directors have resolved that the Stock Option Plan authorize the directors to grant stock options up to a maximum of 10% of the number of common shares issued and outstanding at the time of grant. The "rolling" stock option plan has been in effect since the Company was listed on the TSX-V.

On January 31, 2014, the Company granted 2,460,000 stock options to certain directors and officers, exercisable for a period of five years at a price of $0.085 per common share. The fair value of the options was calculated to be $199,608 which was expensed in 2014 as the options were fully vested on the grant date.

On January 21, 2013, the Company replaced 2,154,560 outstanding options with a weighted average exercise price of $0.96 with 1,783,800 stock options exercisable at $0.205 per share for a five-year period. The incremental fair value of these options was $216,610 which was expensed in 2013 as all replacement options were fully vested on the grant date.

On March 27, 2013, 20,000 stock options were granted to a consultant, exercisable at $0.205 per share for a five-year period. The fair value of these options was $3,633.

At December 31, 2014, there were 3,596,900 stock options outstanding, all of which are vested and exercisable. Details of the status of the Company's stock options as at December 31, 2014 and the changes during the past two fiscal years are as follows:

	Number of options	Weighted average exercise price
Outstanding, January 1, 2013	2,154,560	$ 0.96
Cancelled	(2,336,660)	0.96
Granted	1,803,800	0.205
Outstanding, December 31, 2013	1,621,700	$ 0.205
Cancelled	(484,800)	0.205
Granted	2,460,000	0.085
Outstanding, December 31, 2014	3,596,900	$ 0.123

10. Share-based payment (continued):

The following table summarizes the outstanding and exercisable stock options at December 31, 2014:

Expiry date	Number of options vested and exercisable	Number of options outstanding	Weighted average exercise price	Weighted remaining contractual life (in years)
January 21, 2018	1,116,900	1,116,900	$ 0.205	3.06
March 27, 2018	20,000	20,000	$ 0.205	3.24
January 31, 2019	2,460,000	2,460,000	$ 0.085	4.08
	3,596,900	3,596,900	$ 0.123	3.76

The following assumptions were used for the valuation of the stock options granted under the Stock Option Plan:

	Year ended December 31, 2014	Year ended December 31, 2013
Average risk-free interest rate	1.30%	1.48%
Expected life of option (in years)	5.00	5.00
Average volatility	148.66%	112.39%
Dividend yield	Nil%	Nil%

11. Supplemental cash flow information:

	Year ended December 31, 2014	Year ended December 31, 2013
Non-cash Investing and financing transactions:		
Project development costs incurred by Pattern and added to loans and borrowings	$ 75,803	$ 2,947,515
Proceeds from Pattern Transaction and Pattern Settlement directly offset against outstanding loans and borrowings, accounts payable and provisions (note 6)	22,730,627	-
Proceeds from Cloosh Sale directly offset against outstanding loans and borrowings and provisions (note 8)	2,790,628	-
Loans and borrowings settled directly from refund of deposits (note 7(i))	1,875,000	-
Loans and borrowings settled though increase in loans and borrowings from Pattern	433,195	-
Shares issued to extinguish debt	-	67,501

12. Related party transactions:

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

(a) Amounts owing to related parties as at December 31, 2014 are $3,156 (December 31, 2013 - $42,760) in respect of expenses incurred in current and prior years to directors, former directors, and companies controlled by former directors. These amounts are included in accounts payable and accrued liabilities in the statement of financial position and are non-interest bearing.

(b) At December 31, 2014, secured loans and accrued interest due to related parties was $nil (December 31, 2013 – $331,391). The loans accrued interest at 22% per annum, and were payable on demand. During the year ended December 31, 2014, all loans were repaid in full.

(c) The sale of the BC Projects to Pattern constituted the material operating assets of the Company which triggered contractual payments of $660,000 to certain employees, which has been accrued.

(d) During 2013, officers received a total of 82,775 shares for debt owing of $17,383, as part of a larger shares for debt settlement (note 9(a)).

(e) At December 31, 2014, the Company had advanced $180,000 to a company controlled by an officer of the Company bearing interest at 12% per annum. The amount of the loan plus accrued interest will be deducted from contractual payments due to the officer (note 12(c)) when those amounts are paid by the Company.

All transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, including share based compensation (note 10).

Compensation paid to key management personnel including the Chief Executive Officer, President, Chief Financial Officer, Vice President of Wind Energy and Vice President of Finance, Vice President of Corporate Development and the Board of Directors is set out below:

	2014	2013
Wages and benefits	$ 681,742	$ 994,873
Other remuneration	-	23,000
Share-based compensation	199,608	86,906
Contractual payments – Pattern transaction	660,000	-
	$ 1,541,350	$ 1,104,779

13. Segmented information:

The Company and its subsidiaries engage in one main business activity, hence operating segment information is not provided. Geographic information about the Company's operations is as follows:

	Ireland	Canada	Total
As at and for the year ended December 31, 2014:			
Segment total assets	$ 31,460	$ 467,837	$ 499,297
Non-current assets	-	73,114	73,114
Net income	2,381,610	10,920,197	13,301,807
As at and for the year ended December 31, 2013:			
Segment total assets	$ 617,888	$ 10,887,959	$ 11,505,847
Non-current assets	613,247	9,053,730	9,666,977
Net loss	(85,393)	(9,852,464)	(9,937,857)

14. Contingencies and commitments:

(a) The Company is subject to payments under various equipment leases and an office lease agreement with the following commitments remaining:

2015	$ 237,177
2016	76,886

In December 2013, the Company signed a sublease agreement with a third party which substantially covers the remaining office lease obligations which comprise over 90% of the amounts above.

(b) In 2013, the Company received a judgment from a lawsuit that arose after the acquisition in 2007 of the Three Hills Wind Projects ("Three Hills"), comprised of the Ghost Pine and Lone Pine Wind Projects in Alberta, Canada. The Alberta Court dismissed the plaintiff's claim that Finavera misused confidential information, breached any contract with the plaintiff, misappropriated a business opportunity, and that the plaintiff has a proprietary interest in the wind project. The Court only found that the plaintiff was entitled to be reimbursed for services it provided in the amount of $600,000 and pre-judgment interest. In November 2013, the Court also found that the plaintiff's legal costs would be fully satisfied by $75,000 that was paid into Court by the Company in 2012. In November 2013, the plaintiff appealed the judgment. The Company filed a response to the appeal. On February 9, 2015, the Court of Appeal dismissed the action and in April 2015, the plaintiff filed leave for appeal to the Supreme Court of Canada. The Supreme Court has not yet decided whether to hear the appeal but the Company will prepare a response if the appeal proceeds. The Company has recorded a legal provision of $600,000 in respect of the judgment issued in 2013 and $88,535 of accrued interest as at December 31, 2014.

In 2008, the Company sold its Ghost Pine Wind Project and $1,000,000 of the proceeds was held back, and remains held back, pending resolution of the legal action described above. The amount of the holdback to be released is dependent upon the resolution of the above litigation matters and will be reduced by the cumulative amount of legal fees incurred by the purchaser. The Company is currently in discussions as to the amount of the holdback to be released. The Company may be liable for additional legal costs. The timing and additional cost of settling the dispute cannot be reasonably estimated, and accordingly, the net additional proceeds or any costs associated with its collection have not been recorded.

14. Contingencies and commitments (continued):

(c) On May 9, 2013, the Company received a claim, filed in the High Court of Ireland, from a lender who provided a $1.5 million loan to the Company in 2010 (note 15(ii)). The lender sought repayment of the loan and accrued interest, and claimed an interest in the Cloosh Project. On July 18, 2014, in conjunction with the Company's sale of its remaining 10% interest in the Cloosh Project to SSE, the claim and associated legal provisions were settled (note 9).

(d) On September 16, 2014, the Company received a claim from a creditor for the payment of $550,000 for services rendered plus interest of $27,539. These amounts had been previously accrued. On January 16, 2015, the parties executed a settlement agreement whereby, subject to certain early payment conditions, the debts will be fully settled by a payment of $500,000 at the earlier of July 31, 2015 and the receipt of proceeds from the final payment on the sale of the Cloosh Project. If the Company defaults and does not remedy the default, the creditor may enforce a judgment for the original amount of $550,000 plus interest.

(e) In June 2012, the Company received a Notice of Claim filed in B.C. Supreme Court by a project consultant, in the amount of $914,855. The Company filed a Response to Civil Claim on June 20, 2012. The claimed amount was fully accrued as at December 31, 2012, and was been included in accounts payable since the date incurred. In 2013, the Company entered into an agreement with the project consultant and Pattern whereby Pattern would pay $900,000 against the amount owing. Pattern paid $400,000 on signing the agreement and the remaining $500,000 in 2014.

15. **Loans and borrowings:**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, refer to note 4.

The balance including accrued interest is comprised of:

	December 31, 2014	December 31, 2013
Loan (*i*)	$ 97,339	$ 82,251
Secured shareholder loan (*ii*)	-	2,309,009
GE Payout Loan and Loan Interest (*iii*)	-	10,812,091
Finance lease obligation *(iv)*	10,155	19,021
Promissory Note *(v)*	1,455,470	1,209,025
Loans from related parties (*vi*)	-	331,391
Secured loans*(vii)*	-	80,000
Development Loan Facility*(viii)*	-	4,112,612
Working Capital Facility*(ix)*	-	4,678,889
Demand loans (*x*)	1,024,991	1,014,842
	2,587,955	24,649,131
Less: current portion	(2,586,480)	(18,974,923)
	$ 1,475	$ 5,674,208

During the year ended December 31, 2014, the Company settled $26,707,769 of loans and borrowings which was comprised of:

Working Capital Facility (including loans from related parties and secured loans paid by Pattern)	$ 8,576,255
Development Loan Facility	4,967,281
Secured shareholder loan	2,344,816
GE Payout Loan	9,260,621
GE Payout Loan interest	1,551,470
Short-term loan	7,326
	$ 26,707,769

(i) The Company guaranteed a loan from a third party to a former subsidiary in the amount of US$65,000 on October 12, 2007. Interest began accruing after three years, on October 12, 2010, at a rate of 8.5% per annum. The loan is unsecured and payable on demand.

(ii) On April 8, 2010, the Company received a $1,500,000 loan from one of its shareholders. The loan had a one year term with an annual interest rate of 12% and was secured against the Company's 10% interest in the Cloosh Valley Wind Project until such time as the loan was repaid. On July 18, 2014, the full loan and accrued interest of $2,344,816 was settled pursuant to the sale of the Company's 10% interest in the Cloosh Project to SSE (note 8).

15. **Loans and borrowings (continued):**

(iii) On July 21, 2010, the Company entered into a Joint Development Agreement ("JDA") whereby GE Energy ("GEE") provided the Company with project development funding of up to $7.5 million for the BC Projects, which was fully drawn during 2011, in consideration for security with respect to the BC Projects. Interest accrued at 25% per annum for cash advances and 20% per annum for any guarantees or letters of credit provided by GEE. On December 19, 2012, Pattern assumed GEE's rights and obligations under the JDA by paying out the balance of all amounts owing under the JDA totaling $9.3 million (the "GE Payout Loan"). Interest on the GE Payout Loan accrued to Pattern up to BC Hydro's preliminary consent of the Pattern Transaction in August 2013, in the amount of $1.6 million. In April 2014 the Pattern Transaction closed and $9.3 million, representing the principal portion of the GE Payout Loan, was extinguished. On July 14, 2014, the accrued interest of $1.6 million was repaid as part of the Pattern Settlement (note 6).

(iv) The Company is subject to two lease agreements for office equipment. The leases qualify as financing leases and as such a finance lease obligation of $10,155 has been recorded with the current portion of the liability as at December 31, 2014 being $8,680, and the long term portion being $1,475.

(v) In 2011 the Company entered into a settlement agreement and issued a promissory note of US$925,000 (the "Note") to a creditor of a former subsidiary in order to address outstanding issues between the parties. The Note was payable with interest at 10% per annum, on the earlier of March 31, 2014 or the date on which construction financing for the Cloosh Project is secured (note 8). On March 31, 2014 the Note was amended to extend the maturity date to October 31, 2014 and increase the interest rate to 12% per annum. On October 31, 2014 the Note was amended to extend the maturity date to March 31, 2015 and increase the interest rate to 14% per annum. On March 31, 2015 the Note was amended to extend the maturity date to April 30, 2015 and finally on April 30 2015, the Note was amended with an increase of the interest rate to 15% per annum with a maturity date of June 30, 2015. This indebtedness was replaced by a portion of new debt issued in May 2015 (note 18(b)).

(vi) During 2012, the Company received loans of $225,000 from directors which were secured by the Company's assets. The loans bore interest at 22% per annum and were payable on demand. In April 2014, pursuant to the PSA, Pattern repaid all of these directors' loans including accrued interest on the Company's behalf, increasing the amounts due to Pattern (note 15 (ix)). In May 2014, a director provided a new unsecured demand loan of $93,871 and on July 14, 2014 this loan and accrued interest in the amount of $3,751 was settled in full.

(vii) The Company had a loan of $80,000 secured against the Company's assets, bearing interest at 22% per annum and payable on demand. Interest on the loan was paid monthly. Concurrently with the Pattern Transaction closing, Pattern repaid the loan, increasing the amounts due to Pattern (note 15 (ix)).

15. Loans and borrowings (continued):

(viii) The Company received Development Loans from Pattern since December 2012 which accrued interest at 10% per annum up to August 29, 2013, the date when BC Hydro provided preliminary consent for the Pattern Transaction. Security consisted of a lien over the Company's assets and assets of the project entities. The Development Loan Facility was intended to cover project costs incurred up to the date Pattern secures project financing. During year ended December 31, 2014, the loan was repaid in full as part of the Pattern Settlement (note 6).

(ix) In connection with the Pattern Transaction, in 2013 the Company entered into a Demand Credit Facility Agreement with Pattern for up to $2.5 million with interest at 10% per annum, to fund certain operating costs with the advances being at the discretion of Pattern for approved expenditures. It converted to a Working Capital Facility (the "Facility") on August 29, 2013. On December 6, 2013, the Facility was amended to increase the amount available to $6.3 million, and to extend the maturity date to when Pattern receives construction financing for the BC Projects. In March 2014, the Facility was amended again to increase the amount available to $9.0 million. During the year ended December 31, 2014, the Facility was repaid in full as part of the Pattern Settlement (note 6).

(x) During 2012, the Company issued an unsecured promissory note for $1,000,000 bearing interest at 1.0% per annum that was payable on September 30, 2012. On August 28, 2014, the Company received a claim filed in the Supreme Court of British Columbia seeking to enforce payment of this note. On May 7, 2015, the parties entered into an agreement whereby the loan will be fully settled by paying $850,000 at the time the Company receives the proceeds due from SSE in respect of the 2010 sale of the Cloosh Project, with interest accruing at 5% per annum from January 1, 2015 to March 31, 2015, and 10% per annum thereafter.

16. Provisions:

The Company has recognized the following provisions at December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Interconnection provisions(*i*)	$ -	$ 1,161,166
EPA provisions (*ii*)	-	432,677
Asset retirement obligations (*iii*)	101,762	258,828
Other provisions (*iv*)	766,035	1,139,435
	867,797	2,992,106
Less: current portion	(766,035)	(2,733,278)
	$ 101,762	$ 258,828

(i) In the event of an EPA being cancelled or terminated, BC Hydro charges the Company for its costs incurred. The provision at December 31, 2013 reflected the amount subsequently billed by BC Hydro for the cancellation of the Bullmoose and Wildmare EPAs. During the year ended December 31, 2014, upon closing the PSA, Pattern paid the costs to BC Hydro and such amounts were added to the Working Capital Facility.

(ii) In the event of an EPA being cancelled or terminated, BC Hydro also charges its cumulative costs incurred on EPA work to the Company. The provision at December 31, 2013 reflects the amount subsequently billed by BC Hydro for the cancellation of the Bullmoose and Wildmare EPS's. During the year ended December 31, 2014, upon closing the PSA, Pattern paid those costs and such amounts were added to the Working Capital Facility.

(iii) The Company has recorded asset retirement obligations ("AROs") associated with the future decommissioning of weather monitoring equipment. The AROs were determined based on estimated future cost, a discount rate of 1.2% to 1.6% based on benchmark bond rates per the Bank of Canada, and a time period to decommissioning ranging from 1 year to 4 years. In April 2014, the Pattern Transaction closed and the Company's obligation of $157,066 associated with the sold BC Projects was assumed by Pattern. The remaining amount represent the cost of decommissioning weather equipment on the Wildmare Project site.

(iv) In 2014, the Company recorded a provision for expected legal costs of $70,000, in addition to $380,000 recorded during the year ended December 31, 2013, for a total of $450,000, as a result of extensive legal proceedings with a lender and SSE. These provisions were settled in full during the year ended December 31, 2014 from the proceeds of the Cloosh Sale (note (8)).

Prior to the current year, the Company recorded other provisions of $600,000 and $88,535 of accrued interest in respect of a legal judgment (note 14(b)), and $77,500 of other provisions.

17. Income taxes:

The provision for income taxes differs from the expected amount calculated by applying the combined Federal and Provincial corporate income tax rates to the Company's loss before taxes. This difference results from the following items:

	2014	2013
Income (loss) before tax	$ 13,301,807	$ (9,940,672)
Statutory tax rate	26.00%	25.75%
Income expense(recovery) computed at statutory rates	3,458,470	(2,559,723)
Change in estimate of tax losses	(131,276)	(429,553)
Non-taxable portion of gain on sale of BC Projects and Cloosh Project	(1,833,435)	-
Permanent differences arising from other non-deductible (taxable items) and other	24,874	(59,104)
Foreign tax rate differential and tax rate changes	(338,614)	(205,135)
Change in deferral tax assets not recognized	(1,180,019)	3,250,700
Income tax recovery	$ -	$ (2,815)

The components of the deferred income tax assets and liabilities, as at December 31, 2014 and 2013, are as follows:

	2014	2013
Future income tax assets		
Non-capital loss carry-forwards	$ -	$ 186,414
Deferred income tax liabilities		
Loans and borrowings	-	(186,414)
Net deferred income tax assets	$ -	$ -

17. Income taxes (continued):

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2014	December 31, 2013
Non-capital losses carried forward	$ 30,400,332	$ 36,564,096
Capital loss carry forwards	-	888,123
Project development costs and property and equipment	7,882,764	4,284,426
Provisions	790,297	2,914,606
Other deductible temporary differences	2,398,885	1,823,074
	$ 41,472,278	$ 46,474,325

These tax assets have not been recognized as the Company has no history of earning profits or taxable income. Accordingly, the Company concluded that it was not probable that the benefits associated with these tax assets would be realized.

The Company has non-capital losses of approximately $30,400,333 that may be carried forward to apply against future years' income. These losses expire as follows.

No expiry	$	3,562,341
2034		146
2033		1,655,833
2032		5,140,225
2031		6,858,491
2030		1,646,129
2029		1,746,720
2028		5,561,269
2027		3,854,388
2026		374,791
	$	30,400,333

18. Subsequent events:

(a) On May 4, 2015 the Company signed a Share Purchase Agreement (the "Agreement") to acquire 100% of the equity of Solar Alliance of America, Inc. ("Solar Alliance"). Solar Alliance is based in San Diego, California and is a solar sales and marketing company focused on residential solar installations. Under the terms of the Agreement, the Company is to issue 11,915,238 common shares of the Company on the closing date and make cash payments of up to US$4 million, comprised of up to four installments of US$1 million each, contingent on Solar Alliance achieving certain revenue targets during any of the fiscal quarters beginning after the closing date of the Agreement and ending on or before December 31, 2017. Contingent payments are due 30 days after the end of any fiscal quarter that triggers such payment. In addition, the contingent payments will be adjusted for certain working capital items and related future cash flows. In addition, the Company has agreed to advance US$1.2 million to Solar Alliance, of which $0.4 million is an advance to the vendors which will reduce the future contingent payments and the balance will be used by Solar Alliance for working capital and business expansion.

The Agreement was approved by the TSX Venture Exchange and is expected to close following customary closing conditions.

(b) On May 27, 2015, a subsidiary of the Company obtained a loan facility from a group of Irish lenders totaling €3,757,000 (approximately $5,080,000). The loan has a one year term and bears interest at 15% per annum. Finder's fees consist of €175,000 fee (paid) and 250,000 common share purchase warrants exercisable at $0.085 per common share for one year. The loan is repayable prior to its maturity subject to a break fee of €563,550 less accrued interest, and is required to be repaid from the proceeds received by the subsidiary from the remaining contingent payment due from SSE related to the Company's sale of the Cloosh Project (note 8). The loan is secured by the Company's 100% interest in the share capital of the subsidiary. The loan is required to be used primarily to finance the acquisition of a US residential solar business or utility scale photovoltaic project and the working capital requirements of such business or project and to replace certain indebtedness (note 15(v)).