Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

Finavera Wind Energy Inc.

June 30, 2014 and 2013

NOTICE OF NO AUDITOR REVIEW
OF
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Finavera Wind Energy Inc. (the "Company") for the six month periods ended June 30, 2014 and 2013 have been prepared by and are the responsibility of the Company's management. The Company's auditors have not reviewed these financial statements. The audit committee of the Company has reviewed these unaudited condensed consolidated interim financial statements with management and have reported to the Board of Directors. The Board has approved the financial statements contained herein.

August 22, 2014

Signed:

"Jason Bak", CEO

Signed:

"Jon Lever", CFO

FINAVERA WIND ENERGY INC.

Unaudited Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	June 30, 2014	December 31, 2013
Assets			
Current assets:			
Cash		$ 5,948	$ 34,404
Restricted cash		12,364	12,241
Receivables		4,815	8,051
Prepaid expenses		10,005	34,174
Other assets	7	-	1,750,000
		33,132	1,838,870
Non-current assets:			
Property and equipment	5	22,699	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	651,318	613,247
		725,981	9,666,977
		$ 759,113	$ 11,505,847
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Accounts payable and accrued liabilities		$ 4,518,088	$ 3,452,611
Loans and borrowings	15	18,470,374	18,974,923
Provisions	16	1,213,635	2,733,278
		24,202,097	25,160,812
Non-current liabilities:			
Loans and borrowings	15	5,372	5,674,208
Provisions	16	101,762	258,828
		24,309,231	31,093,848
Shareholders' deficiency:			
Share capital	9	34,984,271	34,984,271
Contributed surplus		10,761,494	10,561,886
Accumulated deficit		(69,295,883)	(65,134,158)
		(23,550,118)	(19,588,001)
		$ 759,113	$ 11,505,847

Going concern (note 2(a))
Contingencies and commitments (note 14)
Subsequent events (note 6,8,15,17)

Approved on behalf of the Board:

Signed "*Jason Bak*" Director

Signed "*David Lamont*" Director

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

FINAVERA WIND ENERGY INC.

Unaudited Condensed Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Expenses:					
Depreciation of property and equipment		$ 1,921	$ 8,409	$ 3,843	$ 16,818
Insurance and filing fees		25,678	37,370	56,295	69,802
Marketing and advertising		972	3,773	2,069	6,079
Office, rent and utilities		13,914	46,691	33,144	104,925
Payroll and benefits		227,383	264,429	534,489	504,801
Professional fees		187,740	69,356	198,837	83,299
Stock-based compensation	10	-	-	199,608	220,243
Travel		31,423	3,204	31,904	28,581
Expenses recovered		-	-	-	(8,255)
Loss before undernoted items		(489,031)	(433,232)	(1,060,189)	(1,026,293)
Other expenses:					
Project development costs	6	(348,677)	(7,743)	(1,415,248)	(153,751)
Pattern transaction closing costs	6	(660,000)	-	(660,000)	-
Provisions	16	-	-	(70,000)	(225,000)
		(1,008,677)	(7,743)	(2,145,248)	(378,751)
Net finance income (costs):					
Financing fees and interest expense		(448,592)	(550,974)	(983,943)	(1,089,068)
Foreign exchange loss		(1,244)	(73,610)	(44,366)	(75,065)
Gain on forgiveness of accounts payable		-	5,666	42,141	5,666
Interest income		29,874	2,636	29,880	2,752
		(419,962)	(616,282)	(956,288)	(1,155,715)
Loss and comprehensive loss for the period		$ (1,917,670)	$ (1,057,257)	$ (4,161,725)	$ (2,560,759)
Loss per share – basic and diluted		$ (0.05)	$ (0.03)	$ (0.10)	$ (0.06)
Weighted average number of common shares outstanding – basic and diluted		39,726,649	39,634,811	39,726,649	39,520,648

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

FINAVERA WIND ENERGY INC.

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

For the six month period ended June 30, 2013:

	Note	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total shareholders' deficiency
Balance, January 1, 2013		$ 34,916,770	$ 21,243	$ 10,323,215	$ (55,196,301)	$ (9,935,073)
Total comprehensive loss for the period		-	-	-	(2,560,759)	(2,560,759)
Shares issued to settle debts		67,501	-	-	-	67,501
Stock-based compensation expense	10	-	-	220,243	-	220,243
Fair value of expired warrants		-	(21,243)	21,243	-	-
Income tax recovery		-	-	(2,815)	-	(2,815)
Total transactions with shareholders		67,501	(21,243)	238,671	(2,560,759)	(2,275,830)
Balance, June 30, 2013		$ 34,984,271	$ -	$ 10,561,886	$ (57,757,060)	$ 12,210,903)

For the six month period ended June 30, 2014:

	Note	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total shareholders' equity (deficiency)
Balance, January 1, 2014		**$ 34,984,271**	**$ -**	**$ 10,561,886**	**$ (65,134,158)**	**$ (19,588,001)**
Comprehensive loss for the period		-	-	-	(4,161,725)	(4,161,725)
Stock-based compensation expense	10	-	-	199,608	-	199,608
Balance, June 30, 2014		**$ 34,984,271**	**$ -**	**$ 10,761,494**	**$ (69,295,883)**	**$ (23,550,118)**

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

FINAVERA WIND ENERGY INC.

Unaudited Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows provided by (used in):			
Operating activities:			
Loss for the period		$ (4,161,725)	$ (2,560,759)
Items not affecting cash:			
Net finance costs		998,429	1,152,900
Project development costs		1,415,248	153,751
Provision		70,000	225,000
Depreciation		3,843	16,818
Deferred Income tax recovery		-	(2,815)
Stock-based compensation		199,608	220,243
		(1,474,597)	(794,862)
Changes in non-cash working capital items:			
Receivables		3,236	29,655
Prepaid expenses		24,169	(38,763)
Accounts payable and accrued liabilities		235,297	(999,230)
Net cash used in operating activities		(1,211,895)	(1,803,200)
Investing activities:			
Proceeds from Pattern Transaction	6	9,260,621	-
Project development costs		-	(652,436)
Investment in Cloosh Valley Wind Farm		-	(87,633)
Interest received		29,880	2,752
Refund of deposits and interest	7	1,857,537	-
Net cash (used) in investing activities		11,148,038	(737,317)
Financing activities:			
Repayment of GE Advance loan	6,15	(9,260,621)	-
Proceeds from loans	15	3,667,466	2,129,097
Interest paid	15	(529,830)	(39,212)
Loans repaid	15	(2,247,771)	-
Provisions paid	16	(1,593,843)	-
Net cash provided by financing activities		(9,964,599)	2,089,885
Decrease in cash		(28,456)	(450,632)
Cash, beginning of period		34,404	817,845
Cash, end of period		$ 5,948	$ 367,213

See note 11 for supplemental cash flow information.

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

1. Reporting entity:

Finavera Wind Energy Inc., ("Finavera" or the "Company") has been involved in renewable energy since 2005 and since 2010 has focused on developing and selling wind power projects in Canada and Ireland. As the Company is in the development phase, it has not generated any operating income. The Company has financed its operations through issuances of debt and equity and the sale of project assets. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "FVR".

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 has no operating assets at this time. At June 30, 2014, the Company had a significant working capital deficiency of $24.2 million (December 31, 2013 - $23.3 million) and an accumulated deficit of $69.3 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 sale of its wind projects consisting of future payments receivable upon construction financing being obtained by the purchasers of the wind projects sold, the sale of other assets, and its ability to raise funds through debt or equity arrangements to fulfill its present and future obligations.

On April 15, 2014 the Company completed the sale of the Company's Meikle and Tumbler Ridge Wind Energy Projects (the "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 certain loan from Pattern. In addition, a future payment of $17.1 million would be receivable if and when Pattern obtains construction financing for either or both of the Projects. Such future proceeds would first be applied to repay any remaining loans and borrowings from Pattern, which at June 30, 2014 total $14.1 million (undiscounted) (December 31, 2013 - $11.1 million (undiscounted)), excluding the $9.3 million repaid on closing of the Pattern Transaction.

Subsequent to June 30, 2014, the Company and Pattern had entered into an agreement and closed the final payment in the amount of $16.5 million, and settled all outstanding amounts due to Pattern (the "Pattern Settlement") (note 17(b)).

The Company also expects to receive in the late 2014 the balance of proceeds of €7.1 million from the 2010 sale to SSE Renewables (Ireland) Limited (a unit of SSE plc ("SSE")) of its 90% interest in the Cloosh Valley Wind Project ("Cloosh Project") (note 8) which is payable when SSE obtains financing for its construction. Subsequent to June 30, 2014 the Company sold its remaining 10% interest in the Cloosh Project for €2.1 million and applied substantially all the funds against secured creditor debts. Refer to note 17(a).

2. Basis of preparation (continued):

(a) Going concern (continued):

Subsequent to the Pattern Settlement and the sale of the Company's remaining 10% interest in Cloosh, the Company remains in a significant working capital deficiency. Furthermore, the timing and receipt of the remaining €7.14 million due from SSE is payable at financial close of the Cloosh project which 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 condensed 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. Management reassesses whether the use of the going concern assumption is appropriate on a regular basis, and will record any necessary adjustments to its accounts if and when it concludes that the going concern assumption is no longer appropriate.

(b) Statement of compliance:

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, The disclosures contained in these condensed consolidated interim financial statements do not include all of the information required for annual financial statements, and accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013 prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 22, 2014.

(c) Basis of measurement:

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

(d) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of preparation (continued):

(e) Use of estimates and judgements:

The preparation of condensed consolidated interim 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.

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 determination of future cash flows and probabilities in assessing net recoverable amounts and net realizable values for property and equipment and the amounts receivable from the sale of wind projects (notes 5 and 6), 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, warrants and broker options (notes 9 and 10) and financial instruments for measurement and disclosure purposes (note 4).

3. Significant accounting policies:

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual consolidated financial statements for the year ended December 31, 2013. All accounting policies have been applied consistently by the Company and its subsidiaries to all periods presented in these financial statements.

3. Significant accounting policies (continued):

New policy adopted January 1, 2014:

IFRIC 21- Levies

IFRIC 21- Levies, was issued by the IASB in May 2013 and provides guidance on when to recognize government levies. The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The new standard is effective for after the Company on January 1, 2014. The Company has determined that the adoption of this standard has no impact on the consolidated financial statements.

Accounting policy not yet adopted:

IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments (2009, 2010, 2013) will replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 establishes the measurement and classification of financial assets. Under IFRS 9, financial assets are measured either at "fair value through profit or loss ("FVTPL")" (if the asset may be sold prior to maturity to realize fair value changes) or at "amortized cost" (if the asset is held primarily for its recurring cash flows comprising principal and interest). All other financial assets are measured at fair value. Financial liabilities are also measured either at FVTPL or at amortized cost, depending on certain conditions. The new standard also requires a single impairment model, provides guidance on the classification of liabilities and provides a new general hedge standard. The mandatory effective date has tentatively been set for January 1, 2018 but early adoption is permitted. The Company does not intend to early adopt this standard and is currently evaluating the impact of IFRS 9 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 and its deposits. The carrying amount of these assets represents the Company's maximum exposure to credit risk. The Company's cash and restricted cash is held with credit worthy Canadian financial institutions and the receivables are primarily related to recoverable sales taxes from the Government of Canada. The Company has assessed the credit risk of these instruments to be negligible. The Company did not have an allowance for doubtful accounts at June 30, 2014 or December 31, 2013 nor did it incur any material bad debt expenses.

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 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 is considering its options to raise further financing until the remaining proceeds from the Cloosh project sale is received (note 8).

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.

(*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 June 30, 2014 and December 31, 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.

4. Financial instrument risk management (continued):

Market risk (continued):

(ii) Currency risk:

The Company has United States dollar denominated loans payable and has accounts payable denominated in United States dollars and Euros, totaling approximately US$1,511,000 and €396,000 as at June 30, 2014 (December 31, 2013 - US$1,460,000 and €382,000 respectively) 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 as at June 30, 2014 by approximately $161,000 and $58,000, respectively (December 31, 2013 - $155,000 and $56,000, 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 maintain the Company's ability to continue as a going concern and enable the Company to sell or develop its wind projects. The priority has been to utilize debt financing to minimize shareholder dilution, and then 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 June 30, 2014, the Company is not subject to any specific externally imposed capital requirements, a status that remains unchanged since the Company's start up. The Company's capital management strategy has not changed in 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).

As at June, 2014 and December 31, 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.

4. Financial instrument risk management (continued):

Fair values (continued):

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 not estimated to 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 improvements	Weather monitoring equipment	Total
Cost:					
Balance at January 1, 2014	$ 5,878	$ 72,607	$ -	$ -	$ 78,485
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at June 30, 2014	**$ 5,878**	**$ 72,607**	**$ -**	**$ -**	**$ 78,485**
Accumulated depreciation and impairments:					
Balance at January 1, 2014	$ 3,103	$ 48,840	$ -	$ -	$ 51,943
Depreciation for the period	278	3,565	-	-	3,843
Balance at June 30, 2014	**$ 3,381**	**$ 52,405**	**$ -**	**$ -**	**$ 55,786**
Carrying amounts					
At December 31, 2013	$ 2,775	$ 23,767	$ -	$ -	$ 26,542
At June 30, 2014	2,497	20,202	-	-	22,699

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

The Company has been developing its Meikle, Tumbler Ridge, Bullmoose and Wildmare Wind Energy Projects (collectively the "BC Projects") in north-central British Columbia since 2005. During 2010, the Company was awarded 25 year Electricity Purchase Agreements ("EPAs") for each of the four wind projects by British Columbia Hydro and Power Authority ("BC Hydro"). EPAs provide a customer for all electricity produced, a defined price and the commercial foundation to move the projects towards construction and operation.

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 to Pattern for total compensation of up to $26.4 million. On closing of the Pattern Transaction on April 15, 2014, an amount of $9.3 million was paid by Pattern and was fully applied against the principal portion of the GE Payout Loan owing to Pattern. Concurrently with the closing, the Company, Pattern and BC Hydro executed agreements for the assignment of the 184 MW Meikle EPA from Finavera to Pattern, Pattern replaced the Company's BC Hydro performance and interconnection security with their own security in respect of the projects purchased, and the EPA's for the Wildmare and Bullmoose wind projects were cancelled by BC Hydro.

Pursuant to a Development Loan Facility under the PSA, Pattern has been undertaking and financing project development activities on the Projects on behalf of the Company since April 26, 2013. In addition, prior to April 26, 2013, Pattern advanced $1.6 million to the Company under this facility. Upon the closing of construction financing by Pattern, project development costs incurred in excess of $2.0 million would be deducted from the future payment to be received from Pattern. The Development Budget totalled $5.7 million, therefore it was expected that $3.7 million plus the initial advances of $1.6 million, and accrued interest, would be repayable when Pattern secures construction financing. However, subsequent to June 30, 2014, the Development Loan was repaid as part of the Pattern Settlement (note 17(b)).

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 2 years from the date of closing of the Pattern Transaction for $100,000 per MW.

A reconciliation 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, December 31, 2013	$ 3,738,320	$ 5,129,367	$ 8,867,687
Sale of projects to Pattern April 15, 2014	(3,738,320)	(5,129,367)	(8,867,687)
Balance, June 30, 2014	**$ -**	**$ -**	**$ -**

6. Project development costs (continued):

In 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. 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 is retaining its licenses and permits and wind site data continues to be collected.

The costs expensed on the Company's BC wind projects during the periods ended June 30, 2014 and 2013 are as follows:

	Six months ended June 30							
	2014					2013		
	Meikle	Tumbler Ridge	Bullmoose	Wildmare	Total	Bullmoose	Wildmare	Total
Engineering	$ 903,723	$ 84,362	$ 113	$ 105,378	$ 1,193,576	$ -	$ 3,681	$ 3,681
Environmental	-	-	-	-	-	231	2,222	2,453
First Nations	44,259	-	-	-	44,259	20,000	45,200	65,200
Land dues, fees and permits	4,332	25,267	-	1,034	30,633	1,000	1,500	2,500
Project insurance	9,029	4,262	4,262	4,262	21,815	4,412	4,412	8,824
Legal/Accounting and professional fees	124,965	-	-	-	124,965	-	-	-
Project management and direct wages	-	-	-	-	-	26,472	44,621	71,093
Total	$1,086,308	$213,891	$ 4,375	$ 110,674	$ 1,415,248	$ 52,115	$101,636	$153,751

	Three months ended June 30							
					2014			2013
	Meikle	Tumbler Ridge	Bullmoose	Wildmare	Total	Bullmoose	Wildmare	Total
Engineering	$ 19,327	$183,434	$ 33	$ 104,651	$ 307,445	$ -	$ -	$ -
Environmental	-	-	-	-	-	111	1,058	1,169
First Nations payments	14,313	-	-	-	14,313	-	-	-
Land dues, fees and permits	4,332	10,613	-	1,034	15,979	1,000	1,500	2,500
Project insurance	5,279	1,887	1,887	1,887	10,940	2,037	2,037	4,074
Total	$ 43,251	$195,934	$ 1,940	$ 107,572	$ 348,677	$ 3,148	$ 4,595	$ 7,743

Cascades Wind Project, British Columbia, Canada

The Company has an Investigative License of Occupation ("ILoO") valid until August 1, 2016, from the Province of British Columbia, for an area located in the Cascades Mountain region of south-central British Columbia. Cumulative costs incurred on the project are less than $50,000. The ILoO allows the Company to install weather monitoring equipment and conduct field work in relation to work done on this project.

7. Other assets:

This balance is comprised of the following items:

	June 30, 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	15,501
	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"). When the Pattern Transaction closed in mid-April 2014, deposits of $1.75 million were released and applied to settle certain related provisions (note 16(i) and 16(ii)), with the balance applied against amounts owing to Pattern.

(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 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 reduced the amount payable to 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 Valley Project"), is a 105 MW late stage 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 Valley Project, signed an agreement with SSE to sell a 90% interest in the Cloosh Valley 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 Cloosh Valley Project construction financing, expected in late 2014 or early 2015. The remaining 10% interest was sold to SSE subsequent to June 30, 2014 for €2.1 million (note 17(a)).

During the period in which the Company held its 10% interest in the Cloosh Valley Project, it participated proportionately in all project development costs and activities, and has capitalized its 10% share of the Cloosh project development costs. During the six month period ended June 30, 2014, the Company accrued additional project billings of $38,071. During the year ended December 31, 2013, the Company recorded total development costs of $320,697 (€207,286).

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 June 30, 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 value of warrants in the statements of financial position reflect the fair value of outstanding warrants as determined using the Black-Scholes pricing model, adjusted for the proportionate allocation of the private placement issue costs.

The following schedule shows changes in the warrants during the recent periods:

	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 June 30, 2014	-	$	-

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 except that stock options granted in respect of investor relations activities must vest quarterly over a one year period, pursuant to TSX-V policy.

The Stock Option Plan authorizes 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.

Recent stock options transactions:

On January 31, 2014, the Company granted 2,460,000 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.

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.

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.

At June 30, 2014, there were 3,872,400 stock options outstanding, all of which are vested and exercisable. Details of the status of the Company's stock options over the recent periods are as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2013	1,621,700	$ 0.205
Cancelled	(209,300)	0.205
Granted	2,460,000	0.085
Outstanding, June 30, 2014	3,872,400	$ 0.129

10. Share-based payment (continued):

The following table summarizes the outstanding and exercisable stock options at June 30, 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	1,392,400	1,392,400	$ 0.205	3.56
March 27, 2018	20,000	20,000	$ 0.205	3.74
January 31, 2019	2,460,000	2,460,000	$ 0.085	4.59
	3,872,400	3,872,400	$ 0.130	4.22

During the three month period ended June 30, 2014, the Company recognized stock-based compensation expense of $nil (2013 - $nil). During the six month period ended June 30, 2014, the Company recognized stock-based compensation expense of $199,608 (2013 - $220,243).

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

	Six months ended June 30, 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	206.26%	112.39%
Dividend yield	Nil%	Nil%

11. Supplemental cash flow information:

	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$
Investing and financing non-cash transactions:		
Project development costs incurred by Pattern and added to loans and borrowings	842,697	130,000
Changes in accounts payable and accrued liabilities related to project development costs	(24,729)	(709,442)
Additions to property and equipment for asset retirement obligations	-	2,548
Gain on forgiveness of accounts payable	42,141	5,666
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 June 30, 2014 are $43,276 (December 31, 2013 - $42,760) in respect of expenses incurred in current and prior years to directors, former directors, and companies controlled by them. These amounts are included in accounts payable and accrued liabilities in the statement of financial position and are non-interest bearing.

(b) At June 30, 2014, secured loans and accrued interest due to related parties was $96,643 (December 31, 2013 - $331,391). The loans bear interest at 22% per annum, and were payable on demand. During the period ended June 30, 2014, all loans were repaid through borrowings from Pattern, and a new unsecured demand loan of $93,871 was provided by a director, also bearing interest at 22% per annum.

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

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

Compensation charged during the period ended June 30, 2014 to key management personnel including the Chief Executive Officer, President, Chief Financial Officer, Vice President of Finance, and for 2013 only, the Corporate Secretary and Manager of Legal Affairs and Vice President of Wind Energy, and to the Board of Directors which received stock-based compensation only, is summarized below:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Wages and benefits	$ 170,436	$ 244,372	$ 340,871	$ 517,038
Stock-based compensation	-	-	119,765	84,334
Severance obligation – Pattern transaction closing costs	660,000	-	660,000	-
	$ 830,436	$ 244,372	$1,120,636	$ 601,372

13. Segmented information:

The Company and its subsidiaries engage in renewable energy development, which is a singular 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 period ended June 30, 2014:			
Segment total assets	$ 651,520	$ 107,593	$ 759,113
Non-current assets	651,318	74,663	725,981
Loss from operations for the three months	(662)	(1,917,008)	(1,917,670)
Income (loss) from operations for the six months	2,536	(4,164,261)	(4,161,725)
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
Loss from operations for 2013	(85,393)	(9,852,464)	(9,937,857)
As at and for the period ended June 30, 2013:			
Segment total assets	$ 589,751	$ 13,039,841	$ 13,629,592
Non-current assets	586,681	11,351,083	11,937,764
Loss from operations for the three months	(19,428)	(1,044,277)	(1,063,705)
Loss from operations for the six months	(19,769)	(2,540,990)	(2,560,759)

14. Contingencies and commitments:

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

2014	$ 119,150
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 97% of the amounts in the above table.

(b) In May 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 suit went to trial in Alberta in February 2013. The 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 has filed its response to the appeal and continues to consider its legal options. It has recorded a legal provision of $600,000 in respect of the Judgement ($300,000 of which was recognized in each of 2012 and 2013) and $86,135 of accrued interest as at June 30, 2014.

In 2008, the Company sold its Ghost Pine Wind Project whereby $1,000,000 of the proceeds was 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. Based on currently available information, the legal costs incurred to date have significantly reduced the amount of the holdback, if any, that the Company expects to receive on settlement. In addition, 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) For its BC wind projects, and pursuant to the EPA's, the Company previously posted security to BC Hydro, by way of letters of credit from a financial institution, in respect of Performance Security of $2.0 million and Interconnection Security of $1.75 million. In April 2014, the Pattern Transaction closed and all letters of credit were returned to the bank by BC Hydro for cancellation, thus ending the Company's obligations in this regard.

(d) 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 Valley Project. Subsequent to June 30, 2014, in conjunction with the Company's sale of its remaining 10% interest in the Project to SSE, the claim and associated legal provisions were settled (note 17(a). As a result of extensive legal proceedings with the plaintiff and SSE, the Company had booked legal fee provisions of $450,000, comprised of $70,000 in Q1 2014 and $380,000 for all of 2013 (note 16(iv)).

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:

	June 30, 2014	December 31, 2013
Loan (*i*)	$ 86,069	$ 82,251
Secured shareholder loan (*ii*)	2,443,309	2,309,009
GE Payout Loan (*iii*)	1,551,470	10,638,289
Finance lease obligation *(iv)*	14,712	19,021
Promissory Note *(v)*	1,274,250	1,209,025
Loans from related parties (*vi*)	96,643	331,391
Secured loan*(vii)*	-	80,000
Development Loan Facility*(viii)*	5,125,530	4,286,414
Working Capital Facility*(ix)*	6,856,520	4,678,889
Demand loan (*x*)	1,019,917	1,014,842
Short-term loan	7,326	-
	18,475,746	24,649,131
Less: current portion	(18,470,374)	(18,974,923)
	$ 5,372	$ 5,674,208

15. Loans and borrowings (continued):

During the six month period ended June 30, 2014, the Company repaid $2,247,771 which was comprised of:

Related parties loans repayment (*vi*)	$ 292,771
Secured loan repayment *(vii)*	80,000
Working Capital Facility repayment *(ix)(note 7(i)(ii))*	1,875,000
	$ 2,247,771

(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 is repaid. Subsequent to June 30, 2014, the debt was settled in full as part of the sale of the Company's 10% interest in the Cloosh Project to SSE (notes 8 and 14 (d)).

(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 $1.5 million. The termination of additional interest at that time required the Company to fair value the debt by applying a discount, which explains why the loan balance at June 30, 2014 differs from December 31, 2013. In March 2014, Pattern paid $501,137 accrued interest for letters of credit to GEE, increasing the amounts due to Pattern (note 15 (ix)). In April 2014 the Pattern Transaction closed and $9.3 million, representing the principal portion of the GE Payout Loan, was extinguished. Subsequent to June 30, 2014 the accrued interest portion was repaid as part of the Pattern Settlement (note 17(b).

(iv) The Company is subject to two lease agreements for office equipment. The leases qualify as financing leases and as such, as at June 30, 2014 a finance lease obligation of $14,712 have been recorded with the current portion of the liability being $9,340, and the long term portion being $5,372.

15. Loans and borrowings (continued):

(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 Valley Wind Project is secured. On March 31, 2014 the Note was amended to increase the interest rate to 12% and extend the maturity date to the earlier of October 31, 2014 or five business days after the Company receives proceeds from the amount due from SSE at financial close of the Cloosh Project (note 8).

(vi) During the year ended December 31, 2012, the Company received loans of $225,000 from directors which were secured by the Company's present and after-acquired personal property. The loans bore interest at 22% per annum and were payable on demand. In April 2014, pursuant to the PSA, Pattern repaid all of the directors' loans including accrued interest, increasing the amounts due to Pattern (note 15 (ix)). In May 2014, a director provided a new unsecured demand loan of $93,871, bearing interest at 22% per annum.

(vii) The Company owed a secured loan of $80,000, bearing interest at 22% per annum and payable on demand. Security consisted of a charge over the Company's present and after-acquired personal property. 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).

(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 consists of a lien over the Company's assets and assets of the project entities. The Development Loan Facility is intended to cover project costs incurred up to the date Pattern secures project financing. Subsequent to June 30, 2014, the loan was repaid in full as part of the Pattern Settlement (note 17(b).

During the six month period ended June 30 31, 2014, total such development costs of $842,697 were incurred (year ended December 31, 2013 - $3,705,764). Amounts drawn on the loan were initially recognized at their fair value, determined using a 10% discount rate over the period in which the loans are expected to be outstanding. At period end, the loans are recognized at their amortized cost, which at June 30, 2014 was $5,125,530 (December 31, 2013 - $4,112,611). The unamortized balance at June 30, 2014 is $5,672,284 (December 31, 2013 - $4,829,587).

15. Loans and borrowings (continued):

(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 project(s). In March 2014, it was amended again to increase the amount available to $9.0 million. Subsequent to June 30, 2014, the Facility was repaid in full as part of the Pattern Settlement (note 17(b).

As at June 30, 2014 - $6,576,575 (December 31, 2013, $4,545,120) of the Facility was used. Accrued interest of $279,945 was recorded for the six month period ended June 30, 2014 ($133,769 was accrued at December 31, 2013) for a total balance due on June 30, 2014 of $6,856,520 (December 31, 2013 - $4,678,889).

(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. No demand for payment has been received.

16. Provisions:

The Company has recognized the following provisions on its statements of financial position:

	June 30, 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*)	1,213,635	1,139,435
	1,315,397	2,992,106
Less: current portion	(1,213,635)	(2,733,278)
	$ 101,762	$ 258,828

(i) In the event of an EPA being cancelled or terminated, BC Hydro charges the Company with its cumulative costs incurred on related interconnection work. The provision at December 31, 2013 reflected the amount that was billed during the current period by BC Hydro for their interconnection work on the Company's projects. During the current period, Pattern paid the amounts billed in respect of the Tumbler Ridge and Wildmare projects and such amounts were added to the Facility.

(ii) In the event of an EPA being cancelled or terminated, BC Hydro charges the Company with its cumulative costs incurred on the EPA. The provision at December 31, 2013 reflected the amount that was billed during the current period by BC Hydro for their EPA work on the Company's projects. During the current period, Pattern paid the amounts billed in respect of the cancelled Bullmoose and Wildmare project EPAs, and such amounts were added to the Facility (note 15(ix).

16. Provisions (continued):

(iii) At December 31, 2013, the Company recorded an asset retirement obligation ("ARO") associated with the future decommissioning of weather monitoring equipment. The ARO was determined based on estimated future costs of approximately $260,000, 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 projects was terminated. The remaining AROs represent the weather equipment on the Wildmare Project site.

(iv) During the current period, the Company recorded a provision for expected legal costs of $70,000, on top of $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 also settled in full subsequent to June 30, 2014 (note 17(a)).

Prior to the current period, the Company recorded other provisions of $600,000 and $86,135 of accrued interest in respect of a legal judgment (note 14(b)), and $77,500 of other provisions.

17. Subsequent events:

(a) The Company entered into an agreement to sell its 10% interest in the Cloosh Valley Wind Project to SSE for €2.1 million. Concurrently with the sale, the Company settled a legal claim with a secured creditor in respect of an alleged overdue loan of $1.5 million, plus interest and certain legal fees. The balance of funds remaining is being held in trust pending completion of certain post-closing matters.

. (b) The Company entered into an agreement with Pattern (the "Pattern Settlement") whereby the parties early closed the final $16.5 million 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 due in respect of the GE Advance, other amounts deductible under the PSA and certain legal fees. Pattern advanced net funds of $1.15 million which were primarily applied against statutory obligations. A schedule of the transaction follows:

17. Subsequent events (continued):

Gross earnout settlement value	$ 16,500,000
Future costs not to be incurred (project, interest)	(1,036,740)
Net settlement amount	15,463,260
Development loan (including interest)	(5,125,530)
Working Capital Facility (including interest)	(6,884,479)
GE Advance – interest due	(1,551,471)
Accounts payable	(250,000)
Project related costs	(351,780)
Closing costs	(150,000)
Net cash received	$ 1,150,000