INTRODUCTION

This Management Discussion and Analysis ("MD&A") of Finavera Wind Energy Inc. ("the Company" or "Finavera"), and its consolidated financial results as at and for the year ended December 31, 2013 including subsequent activity up to April 30, 2014, is reported in Canadian dollars unless otherwise stated. This MD&A should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2013 which contains full disclosure of the Company's accounting policies, in accordance with International Financial Reporting Standards ("IFRS"). References herein to "the Company" or "Finavera", shall, unless the context otherwise requires, mean "Finavera Wind Energy Inc." and any or all of its wholly owned subsidiaries and affiliates. This MD&A contains information up to and including April 30, 2014.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are "forward-looking" because they are based on current expectations, estimates, assumptions, risks and uncertainties. These forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import.

Such forward-looking statements are subject to a number of risks and uncertainties which include, but are not limited to: cyclical downturn, competitive pressures, dealing with business and political systems in a variety of jurisdictions, repatriation of property in other jurisdictions, payment of taxes in various jurisdictions, exposure to currency movements, inadequate or failed internal processes, people or systems or from external events, safety performance, expansion and acquisition strategy, legal and regulatory risk, extreme weather conditions and the impact of natural or other disasters, specialized skills and cost of labour increases, equipment and parts availability and reputational risk. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. The Company does not guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place reliance on these forward-looking statements.

The Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events or for any other reasons, except in accordance with applicable securities laws. Risks that could cause the Company's actual results to materially differ from its current expectations are also discussed in this MD&A.

NATURE OF THE BUSINESS

The Company has been in the business of developing wind energy projects in British Columbia, Canada since 2005 and Ireland since 2003. The Company's primary focus has been to initiate wind projects and continue to develop them to commercial operations, or to sell the projects along the development path in response to market opportunities and financial considerations. The Company considers utilizing partnerships, joint ventures and other co-development arrangements to develop the projects in order to maximize project values. The Company maintains its head office in Vancouver, Canada, and has a small office in Dublin, Ireland.

The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "FVR".

Subsequent to December 31, 2013, the Company completed the sale of its Tumbler Ridge and Meikle Wind Energy projects in British Columbia (the "BC Projects") (the "Pattern Transaction"). On closing of the sale the Company received proceeds of $9.3 million which pursuant to the purchase agreement was fully applied against amounts owing to Pattern. Additional proceeds of up to $17.1 million are receivable if and when Pattern obtains construction financing for the projects (which is currently expected to be in the first quarter of 2015), and the amount receivable will be reduced at such time by the remaining amounts due to Pattern. The Company in 2012 put the projects up for sale after completing a strategic review of investment alternatives. The Company has now completed the sale as approved by the shareholders at the Annual and Special Meeting in June 2013, the details of which were previously circulated to the shareholders in advance of the meeting. The purchaser of the BC Projects, which have a capacity of 184 Megawatts ("MW"), expects they will cost approximately $500 million to complete.

The Company also holds a 10% interest in the Cloosh Valley Wind Project in Ireland ("Cloosh Project"). The Company sold its 90% interest to SSE plc ("SSE") in 2010 for €8.4 million (of which €1.3 million was received on closing of the sale). The project has an estimated capacity of 105 MW, making it Ireland's largest wind project with a grid connection offer. At the closing of project construction financing, currently anticipated in the fourth quarter of 2014, the Company is to receive the remaining €7.1 million of the purchase price from SSE.

The Company continues to have balance sheet liabilities in excess of its assets because these future amounts receivable are based on the purchasers obtaining construction financing for the BC Projects and the Cloosh Project and cannot yet be accrued. The total expected gross proceeds yet to be received from both sales is approximately $27.8 million.

The Pattern Transaction

On December 6, 2012, a binding term sheet was signed with Pattern Renewable Holdings Canada ULC ("Pattern"), a unit of US based Pattern Energy Group LP, to sell the Company's BC Projects for total compensation of up to $28 million, subject to certain conditions. On April 26, 2013 the Company entered a Purchase and Sale Agreement ("PSA") to sell its Meikle and Tumbler Ridge Wind Energy Projects (the "Purchased Projects") to Pattern (the "Pattern Transaction"). In April 2014, the Company, Pattern and BC Hydro executed agreements for the assignment of the 184 MW Meikle project Electricity Purchase Agreement ("EPA") from Finavera to Pattern along with the corresponding cancellation of the Wildmare, Bullmoose and Tumbler Ridge EPA's. Shortly thereafter, the PSA closed on April 15, 2014, whereby the total proceeds for the Purchased Projects, should the Purchased Projects reach financial close, is up to $26.4 million. Pattern also has a two year option to acquire the Wildmare or Bullmoose projects (77 MW and 60 MW respectively) for $100,000 / MW and should Pattern also construct the Tumbler Ridge project (47 MW), the option price is $30,000 / MW. $9.3 million was paid on closing and was offset against a loan owing to Pattern, with the balance of up to $17.1 million payable at closing of construction financing, currently expected to be in the first quarter of 2015, reduced by any remaining debt owing to Pattern at that time.

The initial proceeds received on the sale of the BC Projects of $9.3 million were used to repay a loan owing to Pattern (the "GE Payout"). Pattern had assumed the rights and obligations held by GE Energy LLC ("GE") pursuant to a joint development agreement (the "JDA") between the Company and GE, by the payment to GE of $9.3 million late in 2012.

Pattern is also incurring costs developing the Meikle project which will be deducted from the future amounts payable to the Company, except that the first $2 million of such costs will not be deducted from such future amounts payable to the Company. These project development costs fall under a Development Loan Facility (the "Project Loan") pursuant to the PSA. Interest on the Project Loan accrued at 10% per annum until August 29, 2013 when preliminary approval of the Pattern Transaction was received from BC Hydro (the "BC Hydro Consent"). The budgeted development costs (in excess of the first $2.0 million) are estimated to be $3.7 million.

In addition, Pattern has also extended a Credit Facility Agreement (the "Facility") to Finavera as part of the Transaction. The Facility was initially for a maximum of $2.5 million and is fully secured by all assets of the Company. In December 2013, the Facility was amended to increase the maximum amount available to $6.3 million by adding in payments to be made by Pattern to certain secured creditors and some project related debts.

The Facility matures on the date Pattern secures construction financing for the Purchased Projects and amounts then outstanding will be deducted from any amounts payable under the PSA. at December 31, 2013, $4,545,120 of the Facility was used..

Subsequent to year end, the Facility was amended again to $9.0 million in March 2014 by adding in payments made by Pattern to BC Hydro for certain interconnection and EPA costs. In the case of both amendments, the Company was able to consolidate its liabilities and reduce the number of creditors. The Company draws from the Facility as set out in an agreed budget, unless otherwise approved by Pattern.

The interest rate for the Facility is 10% per annum. The Facility can be repaid by Finavera at any time and the Facility matures when Pattern obtains construction financing for the Meikle project at which time amounts owing under the Facility will be deducted from the additional sales proceeds due from Pattern. In addition, if the Company receives the additional payment from SSE when financing is secured by SSE for the Cloosh Valley Project, such amount is required to be used first to repay amounts outstanding under the Facility.

Additional information related to the Company is available on SEDAR at www.sedar.com, and the Company's website at www.finavera.com.

CORPORATE OUTLOOK

The expected future proceeds from the sale of the Cloosh and BC Projects will, upon receipt of remaining payments, extinguish substantially all debts of the Company and leave substantial cash balance available. Management is currently undertaking a fiscally prudent review of opportunities in the marketplace. The Company has demonstrated an ability to create value in early stage renewable energy projects and this will be the initial corporate focus moving forward. Given the depressed state of a significant number of early stage development companies with excellent assets, Management believes it is an ideal time to be looking for new business opportunities. Once a new business opportunity is found, shareholders will be asked to support the new transaction or, if preferred, a special dividend will be paid out from the Company.

The Company continues to take aggressive measures to significantly reduce corporate expenses as the Company waits to receive the future sales proceeds from the transactions with Pattern and SSE, including substantial reductions in employee expenses and a corresponding reduction of monthly corporate overhead expenses. Over the past few years the Company's working capital has remained in a significant deficiency and at December 31, 2013 the deficiency was $23.3 million. However, upon closing of the PSA, $9.3 million of debt owing to Pattern (the GE Payout) was extinguished. The Company continues to manage its trade creditors and lenders while it assists Pattern and SSE to reach the milestones that will trigger payments to the Company and allow the Company to retire its debts. The shareholders will have significant influence over the eventual use of the net remaining cash. For both sales to SSE and Pattern, the Company received a purchase price significantly higher than the cumulative project costs incurred. This strategy of developing early stage projects and selling them for a profit at a point further along the development cycle has long been communicated to the shareholders.

CORPORATE HIGHLIGHTS

In addition to the PSA signed with Pattern on April 26, 2013 as described above in the Nature of the Business section of this MD&A, the following recent corporate highlights and other significant events are noted:

- On March 31, 2014, the Company and a creditor executed an amended and restated promissory note in the amount of US$1,147,507 to replace a Promissory Note dated on November 11, 2011. The note accrues interest at 12% per annum and is repayable at the earlier of October 31, 2014 or five business days after the Company received proceeds from the amount due to SSE.

- In March 2014, the Company, Pattern and BC Hydro executed agreements for the Amendment and Assignment of the 184 MW Meikle EPA from Finavera to Pattern.

- On March 31, 2014, the Company granted 2,460,000 options to certain directors and officers, exercisable for a period of five years at a price of $0.085 per common share.

- Late in November 2013, the Environmental Assessment Certificate Application ("EAC Application") in respect of the Meikle Wind Energy Project was accepted by the BC Environmental Assessment Office ("EAO"). The acceptance triggers a maximum 180 day review process which will end on May 20, 2014.

- In November 2013, the Company received an updated project development timeline from SSE in respect of the Cloosh Project. It is now expected that financial close will occur in Q3 or Q4 2014 a delay from the previous expectation of November 2013. The delay has been caused by changes to the project financing negotiations between the majority partners, and a shift from balance sheet financing to non-recourse project financing. An Irish lawsuit filed by one of the Company's lenders, as more particularly described later in this MD&A under "Commitments, Contingencies and Obligations" has also caused some delay in the project development timeline.

- On June 14, 2013, the Company held its Annual General and Special Shareholder Meeting. Shareholders voted in favour of all items of business. Most notably, regarding the Asset Sale resolution authorizing the sale the Company's 100% interest in the Tumbler Ridge Wind Energy Project and the Meikle Wind Energy Project to Pattern, the shareholders present in person or by proxy voted 98.99% in favour of the sale.

- On May 15, 2013 the Company received a judgement from the Alberta Court of Queen's Bench in respect of the lawsuit between Scott and Associates Engineering ("Scott") and Finavera, relating to the purchase by Finavera of the Three Hills Wind Project in 2007 located in Alberta, Canada. The court found that Finavera did not misuse confidential information, did not breach any contract with Scott, did not misappropriate a business opportunity, and that Scott did not have a proprietary interest in the wind project. The Court found that Scott was entitled to be reimbursed for services it provided, in the amount of $600,000, supporting the Company's original settlement offer in 2008. 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. Late in November 2013, Scott appealed the judgment, and the Company is considering its legal options. The Company has recorded provisions of $300,000 in 2012, $225,000 in Q1 2013, $75,000 in Q3 2013 and $81,935 of accrued interest in Q4 2013.

- On May 8, 2013, the Company completed a shares-for-debt settlement totalling $67,501 by the issue of 321,433 common shares at $0.21 per share. There were seven creditors that settled, comprised of three employees, two officers, a former employee and a former director.

- On January 21, 2013, the Company granted 1,783,800 stock options to employees and directors, exercisable at $0.205 per share for a five year period. At the same time, all previous outstanding stock options were cancelled. A further 20,000 stock options were granted to a consultant on March 27, 2013 under the same terms. No options were exercised during the current period.

WIND PROJECT SUMMARY

Peace Region Wind Projects, British Columbia, Canada

The Company has been developing four wind energy projects in the Peace Region of British Columbia, Canada, since 2005. During this period, the Company incurred project costs of approximately $27 million. In 2010, BC Hydro awarded EPA's for each project totalling 301 MW of capacity. Late in 2012, two of the projects (Bullmoose and Wildmare) were written off, and in April 2014 the remaining two projects were sold to Pattern. Upon the sale to Pattern, three EPA's were terminated and one for 184 MW was amended and assigned to Pattern.

As at December 31, 2012, there were a number of impairment indicators on the Wildmare and Bullmoose wind energy projects, and accordingly, for accounting purposes, those projects were written off to the statement of operations at that time. Finavera retains the licenses and permits for those projects and continues to collect data from the sites. The future development timelines of the Wildmare and Bullmoose projects cannot be accurately estimated, but the Company will continue to maintain its ownership of them.

The BC Projects all lie within the lands of Treaty 8 First Nations. Treaty 8 was an agreement signed in 1899 between the Canadian government and the First Nations bands in the area encompassing parts of northern Alberta, BC and Saskatchewan, and the southern part of the Northwest Territories. The relevant signatories of the Treaty 8 First Nations in respect of the BC Projects include the Saulteau First Nations, West Moberly First Nations, Halfway River First Nations, the McLeod Lake Indian Band and the Doig River First Nations. These Nations are all located within the south-western part of the Treaty 8 lands. Finavera has been involved with the First Nations throughout the development process, using communication and engagement strategies including in-person and conference meetings, open houses in the local communities, media advertising and newsletters.

The following is a brief summary of the projects sold to Pattern:

- *Tumbler Ridge Wind Energy Project*

The Tumbler Ridge project was planned to consist of 31 wind turbine generators with a capacity of 47 MW, using 1.6 MW GE Turbines. The project area is located approximately 8 km from the community of Tumbler Ridge. The area is already accessible via existing roads. An EAC was issued for this project by the BC Ministers of Environment, and Energy and Mines in March 2012. In July 2012, the Company received a General Area Licence of Occupation (the "Licence") for the project. The Licence, issued by the BC Ministry of Forest, Lands and Natural Resource Operations ("MFLNRO"), provides the approval for construction to commence on the project. It is considered a key milestone. The EPA was terminated as part of the amendment and assignment of the Meikle project EPA. With the close of the Pattern Transaction, the development decisions and any incurred expenses related to this project are the responsibility of Pattern.

- *Meikle Wind Energy Project*

The Meikle project was planned to consist of approximately 55 wind turbine generators with an installed capacity of approximately 117 MW. It is located approximately 20 km from Tumbler Ridge and adjacent to Highway 29 which connects Tumbler Ridge to the town of Chetwynd to its north. It is accessible mainly by existing roads, subject to minor upgrades. Interconnection is planned at the nearest 230 kV transmission line which runs through the eastern side of the project. Subject to obtaining the appropriate environmental and government approvals and permits and completion of equity and debt financing, construction of the project is expected to begin in Q1 2015. The EAC Application for the project was filed and accepted by the EAO in Q4 2013. In March 2014, BC Hydro assigned the Meikle EPA to Pattern, and amended the total capacity to 184 MW. In April 2014, the project was sold to Pattern.

Projects retained by the Company:

- *Wildmare Wind Energy Project*

The Wildmare project would consist of approximately 35 wind turbine generators with a capacity of approximately 77 MW. It is located 5 km northwest of Chetwynd, BC and is accessible mainly by existing roads. Interconnection is planned at a nearby 230 kV transmission line. The Company wrote off its deferred costs of $7.1 million on this project in 2012, citing indicators of impairment including the inability to obtain financing for the project, complete the sale of it, and the potential cancelation of the EPA. In March 2014, BC Hydro formally terminated the EPA. The Company retains its project licenses and expects to keep the project in good standing with wind data continuing to be collected. Future development timelines cannot be estimated.

- *Bullmoose Wind Energy Project*

The Bullmoose project consists of two distinct ridgelines, and was planned to consist of approximately 20 wind turbine generators with an installed capacity of approximately 60 MW, based on 3 MW per turbine. At its closest point, the Project is approximately 18 km from Tumbler Ridge. It is accessible mainly by existing roads, and new roads are required to access the ridgelines. Interconnection was planned at a nearby 230 kV transmission line, immediately adjacent to the north-west boundary of the project. The Company wrote off its deferred costs of $1.2 million on this project in 2012, citing indicators of impairment including the inability to obtain financing for the project, complete the sale of it, and the potential cancelation of the EPA. In March 2014, BC Hydro formally terminated the EPA. The Company retains its project licenses and expects to keep the project in good standing with wind data continuing to be collected. Future development timelines cannot be estimated.

Cloosh Valley Wind Project, County Galway, Ireland, 105 MW

The Company retains a 10% interest in the Cloosh Project which has been under pre-construction development in Ireland since 2005. The project has a signed grid connection agreement with Eirgrid Plc, Ireland's state owned electricity transmission company, and in 2011 received full planning permission for 105 MW from the Irish regulatory agency which is responsible for the permitting and planning permission of infrastructure projects. On August 25th, 2010 the Company sold a 90% interest in the project to SSE for €8.4 million, with €1.26 million received on closing of the sale and the balance of €7.14 million receivable when SSE secures financing for the project which is currently expected in the second half of 2014. If the project does not reach financial close by January 1, 2018, the ownership of project will revert back to Finavera.

In connection with its remaining 10% interest in the project, the Company signed a Co-Development Agreement ("CDA") with SSE and Coillte Teoranta Ltd., which is the Irish state-owned commercial forestry and renewable energy company, to jointly develop the project. Coillte is the landowner at the project site and has been a development partner on the project with Finavera since 2009. The Company participates in all project development functions and activities, and is responsible for funding its development costs according to its 10% interest. As of the date of this report, the Company has cumulatively paid $548,635 as its share of costs and additional amounts totalling $64,412 (€44,089) in respect of unpaid 2013 project costs are payable by the Company. If Finavera chooses to cease or otherwise fails to make contributions as required, it could result in either interest being charged on the late amount at a rate of 1% per month and payable at financial close of the project, or SSE may buy out the 10% interest for €2.1 million, also payable at financial close. The Company is currently reviewing options for optimizing value from this asset.

REVIEW OF FINANCIAL RESULTS

Selected Annual Information

The following table provides a brief summary of the Company's consolidated financial operations. For more detailed information, refer to the audited consolidated financial statements for the applicable years.

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Total revenues	$ -	$ -	$ -
Operating expenses	(6,129,269)	(1,825,065)	(2,436,699)
Net loss	(9,937,857)	(11,293,242)	(3,240,975)
Basic and diluted loss per share	(0.25)	(0.30)	(0.09)
Total assets	11,505,847	12,604,402	14,800,062
Total long-term liabilities (excluding provisions)	5,933,036	19,051	982,658

Results of Annual Operations

In 2013, the Company incurred a net loss of $9.9 million, compared to a net loss of $11.3 million in the prior year, a reduction of $1.4 million. The difference is mainly due to the Company recording an impairment charge of $8.5 million in 2012 as compared to 2013 when the Company recorded an impairment of $0.5 million, expensed project costs of $4.0 million and incurred borrowing costs of $2.5 million. Project costs were expensed in 2013 as they exceeded the fair value less the cost to sell the BC Projects which are classified as assets held for sale. The Company also recorded provisions of $680,000 relating to various contingent liabilities (2012- $377,500). The Company incurred financing fees and interest expense of $2,506,370 compared with $815,839, an increase of $1,690,531 as result of reclassification projects to assets held sale which precludes the Company from capitalizing borrowing costs and as a result of increased debt levels. The stock based compensation of $220,243 (2012- $nil) was recorded in the current year as a result of new options issued to replace options cancelled.

In 2013, a total of $1,658,902 was incurred for payroll and benefits costs, including amounts expensed as project costs, compared with $2,121,028 in 2012, a decrease of $462,126 or 22%. This decrease reflects the reduction of staff from 12 employees at the end of 2012 to 7 employees at the end of 2013. Travel costs increased to $52,449 in 2013 compared with $24,683 in 2012 as the Company explored certain business opportunities, and there were several trips to Ireland in relation to the Cloosh Valley Project. Loss on disposal of fixed assets of $71,910 in 2013 (2012- $2,642) was higher by $69,268.

Operating costs were lower across some categories as the Company actively made efforts to reduce operating costs during the year including marketing and advertising costs of $9,351 (2012- $20,406), a reduction of $11,055, and office, rent and utilities costs of $255,915 during the current year compared with $328,055 in the prior year, a reduction of $63,885. In December 2013, the Company subleased its office space, reducing annual outflows by a further $220,270. The Company also recorded $455,807 of professional fees in the current year, similar to $497,482 in the prior year, a reduction of $41,675. Due to the Pattern Transaction and certain litigation matters, total legal costs did not materially decline in 2013.

In 2013, the Company recorded foreign exchange gain of $133,197 (2012- gain of $13,856) as result of the decline in value of Canadian dollar of 7% and 12% relative to the US dollar and Euro, respectively.

In terms of cash flows, in 2013 the Company received loans of $5.3 million, principally from Pattern. No equity was issued in the year. The Company repaid a loan of $850,000, paid total interest in 2013 of $0.2 million, paid project costs of $2.3 million including the Cloosh Project, paid operating costs of $1.8 million and reduced its other liabilities by $0.8 million.

SUMMARY OF QUARTERLY RESULTS

The following table represents selected unaudited consolidated financial information for each of the Company's past eight quarters.

	Three Month Period Ended December 31, 2013	Three Month Period Ended September 30, 2013	Three Month Period Ended June 30, 2013	Three Month Period Ended March 31, 2013
	$	$	$	$
Operating expenses	(3,991,618)	(934,543)	(443,790)	(759,318)
Net loss	(5,987,526)	(1,389,572)	(1,057,257)	(1,503,502)
Basic and diluted loss per share	(0.15)	(0.03)	(0.03)	(0.04)

	Three Month Period Ended December 31, 2012	Three Month Period Ended September 30, 2012	Three Month Period Deed June 30, 2012	Three Month Period Deed March 31, 2012
	$	$	$	$
Operating expenses	(494,146)	(425,655)	(469,417)	(435,847)
Net loss	(9,642,668)	(488,887)	(685,731)	(475,956)
Basic and diluted loss per share	(0.26)	(0.01)	(0.02)	(0.01)

Fourth quarter 2013 compared to fourth quarter 2012

The Company recorded a net loss for the fourth quarter of 2013 (the "current quarter") of $5,987,526 compared with $9,642,668 in the fourth quarter of 2012 ("Q4 2012"), a decrease of $3,655,044. The Company recorded project costs and write-downs of $4,191,563 during the current quarter compared to project write-downs during Q4 2012 of $8,496,232, finance and interest expenses of $935,113 (Q4 2012 - $316,584) (an increase of $618,529 as the result of expensing borrowing costs on certain assets that have been reclassified to assets held for sale, and also from an increase in overall debt levels), and payroll costs of $272,255 (Q4 2012 - $105,294), an increase of $166,961 due to the expensing of all payroll costs in the current quarter. The Company has recorded a provision of $457,500 in the current quarter (Q4 2012 -$377,500). The Company also recognized a foreign exchange loss in the current quarter of $74,533, compared to $14,845 in Q4 2012, a difference of $59,688.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, receivables, accounts payable and loans and borrowings. 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 carrying 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 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.

LIQUIDITY

The Company has endured a significant working capital deficiency for the past few years, and has also faced a risk adverse investment climate for companies in the development stage. The fundraising activities undertaken by the Company over the past few years have provided the funds necessary for the Company to substantially meet its project development timelines, but have not allowed the Company to address its significant working capital deficiency. The projects were developed to the stage at which significant additional funding was required and consequently, the Company engaged its financial adviser in the fall of 2012 to facilitate a process of selling the Company or its assets. The Company continues to work with and manage its creditors, lenders and its commitments and obligations with a view to paying off its debts and transitioning to a positive working capital position as funds are received from SSE and Pattern.

In conjunction with the Pattern Transaction, Pattern on April 26, 2013 provided the Company with a loan Facility of up to $2.5 million which financed certain operating costs with the advances being at the discretion of Pattern for approved expenditures. On December 6, 2013, the Facility was amended to increase the amount available to $6.3 million, which was again amended to $9.0 million in March 2014. The Pattern Transaction closed on April 15, 2014. Additional payments of up to $17.1 million will be payable by Pattern, before any debt offsets which at December 31, 2013 total $11.1 million (excluding the $9.3 million settled on closing of the Pattern Transaction), on the date Pattern closes the project's construction financing which is expected in Q1 2015.

The current working capital deficiency of the Company, as of the date of this report, is approximately $23.3 million which includes the $9.3 million GE Payout, $4.7 million borrowed pursuant to the Facility and $5.0 million of other loans. The GE Payout of $9.3 million due to Pattern was extinguished upon the closing of the PSA. The Pattern Transaction has resulted in the reduction of the Company's liabilities in 2014 by about 30%, and shifted approximately $12.3 million of the remaining debts that were due and payable to be payable at the time the Company receives additional proceeds from the previous sale of its 90% interest in the Cloosh Valey Wind Project or the additional amount receivable pursuant to the PSA. These changes improve the Company's liquidity and help the Company manage its current debts. Upon closing of the Pattern Transaction, the Company's provisions for costs billed by BC Hydro were paid by Pattern along with certain secured lenders. All such payments were drawn from the Facility.

Finavera's ability to continue as a going concern in the medium term is primarily dependent on the continued support of its creditors and the realization of cash proceeds from the sale of its wind projects, including future earn-out payments. In the short term, continuation as a going concern is based on the ability to continue borrowing additional funds through debt instruments, or raising funds by issuing equity. The Company will continue to cut overhead expenses and operating expenses.

The Company has every expectation that both the Pattern Transaction and the sale of 90% of the Cloosh Project will reach their respective financial closes, triggering the remaining payments of up to $17.1 million and €7.1 million respectively, over the ensuing year. The Company expects to finance its needs in the intervening period through a combination of loans and/or private placements, or the sale or monetization of other assets. The conditions described above give rise to a material uncertainty regarding the Company's ability to continue as a going concern. The Company's 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 balance sheet classifications used, should the Company conclude in the future that the going concern assumption is not appropriate.

CAPITAL MANAGEMENT

The Company's primary capital management objective has long been to minimize shareholder dilution through the use of debt financing. Capital management remains an important strategy relating to the dual objectives of financing the Company's overhead, and financing project development up to the point of construction, or sale. The risk however of leaning towards excessive debt financing instead of equity is the interest that continues to accumulate when there are project development delays. Finding the balance between minimizing dilution through debt, and, and minimizing interest costs by issuing equity, requires estimates of factors such as expected development timelines, future market sentiment, and future budget estimates. Importantly, the Company has finally and substantially reduced its continuing interest and financing costs through the Pattern Transaction and the resulting termination of further interest on the GE Payout and the Project Loan.

COMMITMENTS, CONTINGENCIES AND OBLIGATIONS

This section summarizes the Company's financial commitments, contingencies and obligations:

Project Letters of Credit:

The Company was obligated to post security to BC Hydro, by way of cash or letters of credit from a financial institution, in respect of Performance Security (pursuant to the terms of the EPAs), and Interconnection Security (pursuant to the terms of the SGIAs). Interconnection Security is posted to secure expenditures by BC Hydro that they incur in order to build BC Hydro owned Interconnection Facilities.

Upon closing of the Pattern Transaction, Pattern provided required security to BC Hydro in respect of the two projects they purchased and replaced the Company's letters of credit with their own. The Company's letters of credit totaling $1.75 million were cancelled and the cash deposits posted by the Company to support them were released to Pattern and applied against the Facility debt.

Corporate Leases:

The Company is subject to various equipment leases and an office lease agreement with the following commitments remaining:

2014	$ 238,299
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.

Financial adviser:

In 2010, the Company entered into an agreement with an independent exclusive financial advisor in respect of a process to secure a strategic partner to provide the equity necessary to advance any or all of the Company's wind projects in BC. The financial advisor may be paid a fee of up to $550,000 upon completion of such a financial transaction. Payment of any agreed fee would occur when the Company receives sufficient funds from the proceeds of any such transaction.

Legal Claims:

On May 9, 2013, the Company received a claim, filed in High Court, Ireland, from a lender who provided a $1.5 million loan in 2010. The lender is seeking repayment of the loan, has alleged that he has claims to the Company's shares held in Cloosh Valley Wind Farm Limited and has obtained a court order preventing the Company and its subsidiary Finavera Renewables Ireland Limited ("FRIL") from reducing their Irish assets below the amount owing plus continuing interest from December 31, 2012 and legal costs to a maximum figure of $3,000,000. The matter was heard in High Court in Ireland on September 18, 2013. Negotiations have continued and as a result of extensive legal proceedings, the Company has booked a provision in Q3 2013 of $380,000 (€272,000) for additional legal costs expected in relation to this matter.

On June 4, 2012, the Company received to a Notice of Claim filed in B.C. Supreme Court by a vendor ("E&E") for payment of unpaid invoices totalling $839,466, subsequently amended to $914,855 to include interest. The suit sought court-ordered payment of the debt, plus interest at 1% per month. E&E was a contracted consultant to the Company and carried out environmental assessment work on the BC Projects. The Company filed a response on June 20, 2012. In January 2013, a letter agreement was executed between the Company, Pattern and E&E whereby E&E and the Company will each adjourn proceedings and will take no further action with respect to the litigation. To the date of this report, the Pattern has paid $900,000 to E&E and such amounts have been added to the Facility.

Legal Judgement:

In May 2013 the Company received an Alberta court judgement order in the amount of $600,000 plus interest in relation to its lawsuit with Scott Engineering and Associates ("Scott") which arose after the Company acquired the Three Hills wind project in Alberta in 2007. 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, Scott filed an appeal of the judgment, and the Company is considering its legal options. The Company has recorded a provision of $600,000 for this judgement and interest comprised of provisions of $300,000 in 2012, $225,000 in Q1 2013, $75,000 in Q3 2013 and accrued interest of $81,935 in Q4 2013.

During 2008, the Company sold its Ghost Pine Wind Project and $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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently does not have any off-balance sheet arrangements. At December 31, 2013, GE had posted letters of credit in favor of BC Hydro of approximately $2.0 million in respect of EPA Performance Security for the BC Projects, on behalf of the Company. The letters of credit were cancelled pursuant to the closing of the Pattern Transaction in April 2014.

RELATED PARTY TRANSACTIONS

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

(a) Amounts owing to related parties as at December 31, 2013 are $42,760 (December 31, 2012 - $60,189) 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, 2013, secured loans and accrued interest due to related parties was $331,391 (December 31, 2012 – $264,825). The loans bear interest at 22% per annum, and were payable on demand as to $50,000 plus interest by July 31, 2012 and $175,000 plus interest by April 12, 2013 (Note 16(vi)). These loans were paid by Pattern subsequent to December 31, 2013 and added to the Facility.

(c) Two officers received a total of 82,775 shares for debt owing of $17,383, as part of a larger shares for debt settlement.

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 by the grant of stock options.

Compensation paid to key management personnel including the Chief Executive Officer, President, Chief Financial Officer, Vice President of Corporate Development (2012 only), Vice President of Wind Energy and Vice President of Finance and the Board of Directors is set out below:

	2013	2012
Wages and benefits	$ 994,873	$ 984,597
Employees retention payment	23,000	-
Share-based compensation	86,906	-
	$ 1,104,779	$ 984,597

The total compensation is allocated each period between the statement of comprehensive loss and the statement of financial position, depending on the portion that qualified to be capitalized as project development costs.

INVESTOR RELATIONS

The Company has not entered into any investor relations consulting contracts in 2013 or 2012, nor have any fees been incurred since 2011 based on any prior contract.

PROPOSED TRANSACTIONS

There are currently no other proposed transactions as defined by National Instrument 51-102F1 (1.11) involving asset dispositions or business acquisitions or dispositions, other than the potential sale of the Company's remaining interest in the Cloosh Project as described elsewhere in this MD&A, that either the Company's senior management or Board of Directors have determined is probable of proceeding as at the date of this MD&A.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

(a) New standards and interpretations 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 at 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.

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.

(b) New standards and interpretations adopted:

IFRS 10 – Consolidated Financial Statements

IFRS 10 – Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. It defines control as requiring both the exposure or rights to variable returns, and the ability to affect those returns through power over an investee. It replaces the guidance and control provisions of IAS 27 Consolidated and separate financial statements and SIC 12 Consolidation - special purpose entities. Adoption of IFRS 10 did not impact the consolidated financial statements.

IFRS 11 – Joint Arrangements

IFRS 11 Joint Arrangements outlines the accounting by entities that jointly control an arrangement. Joint control requires unanimous consent of decisions under contractually agreed sharing of control. Arrangements subject to joint control are classified as either a Joint Venture (which provides the parties rights to the net assets and is accounted for using the equity method under IAS 28 - Investments in associates) or a Joint Operation (which provides the parties direct rights to the assets and obligations for liabilities, and is accounted for by recognizing its specific assets, liabilities, revenue and expenses, and its share of those amounts held jointly). The standard focuses on the sharing of rights and obligations, not on the legal structure of the arrangement, and it removes the option of using proportionate consolidation to account for an entity's interest in a joint venture. The Company has no joint arrangements and the adoption of IFRS 11 did not impact the consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities is a disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structured entities". The standard requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. It requires disclosures about the significant judgments and assumptions in determining control and significant influence, and the nature of its interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Adoption of IFRS 12 did not impact the Company's consolidated financial position, cash flows or results from operations. All of its subsidiaries are 100% controlled by the Company. Disclosure related to the Company's 10% interest in the Cloosh Valley Wind Project is included in note 9.

IFRS 13 – Fair Value Measurement

IFRS 13 Fair Value Measurement explains how to measure fair value and what related disclosures to provide. It does not provide guidance on when to measure or re-measure fair value. The standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. The adoption of IFRS 13 did not impact the consolidated financial statements.

Amendments to IAS 19 Employee benefits

The amendments to IAS 19 change the measurement, presentation and disclosure related to defined benefit plans. The amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, and when the entity can no longer withdraw the offer of the termination benefits. The adoption of IFRS 19 did not impact the consolidated financial statements.

Other IFRS and IAS amendments

Certain minor amendments have been made to IFRS 1, IFRS 7, IAS 1, IAS 12 and IAS 32, effective for fiscal years beginning on or after January 1, 2013. The Company reviewed these policy amendments and determined that they have no material impact on its financial statements.

CRITICAL ACCOUNTING ESTIMATES

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements and estimates and assumptions that affect 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 period. Estimates are based upon historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are evaluated on an ongoing basis and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of expenses. Actual results could differ from those estimates.

Significant judgements and estimates are required in the assessment of the Company's ability to continue as a going concern, the determination of future cash flows and probabilities in assessing net recoverable amounts and net realizable values of project development costs, the estimated amount of asset retirement obligations and other provisions for contingent liabilities, the Company's ability to utilize tax losses and the rates at which those losses will be realized, and the calculation of fair value for stock-based compensation, warrants and broker options and the fair value of financial instruments for measurement and disclosure purposes. In particular, the following discusses the key estimates and assumptions:

Project development costs

The Company has capitalized direct costs associated with the development of its BC Projects, provided such project meets specific criteria. In such cases, the costs are capitalized to the specific project and amortized over the useful lives of the projects, upon commencement of commercial operations. The criteria that the Company must demonstrate are: i) technical feasibility of the project; ii) its intention to complete the project and use or sell it; iii) its ability to use or sell the project; iv) how the project will generate probable future economic benefits; v) availability of adequate technical, financial and other resources to complete the development and to use or sell the project; and vi) its ability to measure reliably the expenditure attributable to the project during its development. If costs no longer meet these six criteria, the costs are written off immediately.

The recovery of development costs is dependent upon the successful completion, or sale, of the wind projects, which itself is dependent on a number of factors including but not limited to First Nations Agreements, Environmental Assessments Certificates, executed EPAs and completion of project financing.

Stock-based compensation

The Company grants stock options to directors, employees and consultants of the Company as an element of compensation. The cost of the service received as consideration is measured based on an estimate of fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the related service period with a corresponding increase in contributed surplus. On exercise of stock options, consideration received together with the compensation expense previously recorded to contribute surplus is credited to share capital. The Company uses either the Black-Scholes option pricing model or the fair value of the goods or services received to estimate the fair value of each stock option. Use of the Black-Scholes option pricing model requires the Company to make assumptions, changes in which could materially affect estimates. The most significant assumptions used are the instrument's expected life, discount rate and share price volatility.

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.

Deferred Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of the assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the substantive enactment date. 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. The evaluation of the recoverability of tax assets requires use of forecasted taxable income and the amount recognized, if any, is affected by assumptions of tax rates expected to apply at the time the benefits of these assets are expected to be realized.

RISK FACTORS

The development of wind energy projects is subject to numerous risks, both known and unknown, any of which could significantly impact the Company's financial position, the development of its projects and results of operations. Factors affecting the financial viability of the Company's wind energy projects include the consistency of wind energy sources, proximity to infrastructure, ongoing maintenance costs, economic conditions, governmental regulations, stakeholder support, the availability of tax or other incentives such as renewable energy credits, land tenure, use and development issues, environmental impact and protection laws and regulations, insurance, cost of capital, wind turbine pricing, construction costs and the prices offered or to be paid by purchasers of wind energy. Additionally, project assumptions, including financing assumptions, involve significant risks which careful evaluation, experience, knowledge and risk management may not, in some cases, eliminate. Key business, development and operations risks are described below.

Regulatory and Political Risks

The development of wind energy projects and their future operation are subject to changes in regulatory (federal, provincial and municipal) guidelines pertaining to the renewable energy industry. Changes in Canadian and provincial political leadership may present the risk of changes to regulations and regulatory support for green energy and/or wind energy specifically.

Permitting

Finavera has incurred and will continue to incur costs to obtain and maintain licenses and permits, such as environmental, water extraction, and licences to cut trees and other approvals necessary to develop its remaining projects. If Finavera is unsuccessful in obtaining a license, permit or other approval for activities such as construction, waste extraction, tree felling, work camps and road modification, this could have a material adverse effect on the development of the particular project.

Crown Land Tenure

Crown Land policies support multiple uses. Developers may propose subsurface or surface use which Crown permitting authorities may deem compatible with the Company's wind projects. These uses may later prove to be incompatible or require mitigation. Current guidance is ambiguous regarding precedence and process of resolution. Existing tenure holders (such as logging, coal extraction, oil and gas development and operations) use of access routes and peak traffic loads may periodically exceed the route capacity. This could cause delay in the wind project construction schedule which would delay the receipt of funds due to the Company from its asset sales, and delay the commencement of commercial operations.

First Nations

The Company's remaining BC wind projects are located on Crown land in the BC Peace Region, within Treaty 8 territory. The Company's inability to complete agreements with local First Nations could result in delays to the development of the projects. The Company is committed to First Nations consultations throughout the project development process and will continue through the EAO's review of the Company's EAC Applications, construction and operation of Finavera's wind energy projects.

Financing

The Company has obligations to fulfill certain capital requirements associated with developing wind projects, meet continuing obligations and pay its liabilities. Loans obtained by the Company, such as the secured Facility with Pattern, increase the level of financial risk to the Company. If the Company does not or is not able to comply with any debt covenants, lenders may demand repayment and enforce their security against the Company's assets. In addition, the Company's ability to raise capital depends in part upon conditions in the capital markets at the time. The Company cannot be certain that it will be able to raise additional capital.

Operations of Facilities

Risks associated with the construction of wind farms include possible flaws in the manufacture of turbine equipment and unknown design errors may result in unexpected repair costs and loss of production. Further, mechanical failure may occur after the supplier's warranty periods expire. The Company's power generation facilities may be subject to damage (directly or indirectly) due to wear and tear, equipment failures or unpredictable natural disasters such as floods, fires, high winds, landslides, avalanches or earthquakes. The Company's revenues would be affected by the ability of its facilities to generate the maximum amount of electricity which can be sold to a utility. If a facility delivers less than the minimum contracted levels of electricity to the utility under the EPA terms and conditions, penalty payments may be imposed, impacting the project's profitability.

Public Transmission Systems

The Company's ability to sell electricity is reliant upon the interconnection of its wind projects with transmission grids. If a project cannot connect to a transmission grid, if there is a failure of existing transmission facilities or if there is a lack of adequate transmission capacity this could result in delays to the development of the project.

Pattern Transaction and Cloosh Valley Project

The Company will not receive the additional payments from Pattern or SSE if they fail to complete construction financing, or if for any other reason the projects are not built. If Pattern suspends the Meikle project within one year of the PSA closing, the Company has the right to repurchase the project.

Wind Resource

While wind power is a viable source of electricity, it is a naturally variable resource. As such, the level of electricity production from wind projects is variable. This may adversely affect the Company's operating results. The strength and consistency of the wind resource at the Company's wind project sites may vary from the Company's projected wind energy modeling. Although the Company relies on historical data for its predictions of weather patterns, such patterns could change and remain unforeseeable. If the collected data does not reflect a viable estimate of current and future wind activity this may adversely affect the Company's profitability.

Contractual Risks

The Company's BC projects all received EPA's from BC Hydro. If the Company is unable to meet its obligations and other conditions under the EPAs, they may be delayed or cancelled by BC Hydro. At the date of this report, the Compnay had assigned an EPA to Pattern, and BC Hydro cancelled the remaining EPAs.

Reliability of Turbine Equipment

Although there is no guarantee that turbines selected by the Company will be able to withstand all weather conditions, turbines selected by the Company are warranted as suitable per climate and weather conditions. However, the longevity of the turbines is unpredictable. Further, any equipment breakdown after expiry of the applicable warranty period and outside the terms of the full service agreement will increase the expenses of the Company's projects.

Reliance upon Suppliers

The wind turbines for the Company's projects will be acquired from a small number of global manufacturers. If the turbine suppliers are not able to fulfill their contractual obligations, such delivery and commission schedule, this may have an adverse effect on the delivery and commission schedule with consequent delay of commercial operations or may affect the long term operation of the Company's projects.

Insurance Coverage

The Company has insurance coverage for material insurable risks, providing the coverage expected of a prudent owner/operator of similar facilities and projects. This insurance coverage is subject to prudent guidelines for deductibles, limits and exclusions. The Company cannot guarantee that insurance will be obtained or will cover all potential situations, but to date, there have been no insurability difficulties.

CONTROLS, PROCEDURES AND CERTIFICATIONS

Management is committed to delivering timely and accurate disclosure of all material information. Disclosure controls and procedures ensure that reporting requirements are satisfied and that material information is disclosed in a timely manner. Due to the limitation on the ability of the officers to design and implement cost-effective policies for disclosure controls and procedures and internal control over financial reporting, the officers are not making representations that such controls and procedures would identify and allow for reporting material information on a timely basis, nor are they representing that such procedures are in place that provide reasonable assurance regarding the reliability of financial reporting. However, as permitted for TSX Venture issuers, the CEO and CFO individually have certified that after reviewing the consolidated annual financial statements and respective accompanying MD&A of the Company, there are no material misstatements or omissions, and the filing materially presents the consolidated financial position and consolidated results of operations and cash flows for the year ended December 31, 2013 and all material subsequent activity up to April 30, 2014.

OUTSTANDING SHARE DATA

As of the date of this report, April 30, 2014, the Company had the following outstanding securities:

Common shares - issued and outstanding	39,726,649
Stock options	3,872,400
Total fully diluted shares outstanding	43,599,049