

Interim financial statements of

**SWEF Terrawinds Resources Corp.
(formerly known as “Terrawinds Resources
Corp.”)**

For the three month period ended March 31, 2009

SWEF Terrawinds Resources Corp.
(formerly known as “Terrawinds Resources Corp.”)
For the three month period ended March 31, 2009

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SWEF TERRAWINDS RESOURCES CORP.

(formerly known as "Terrawinds Resources Corp.")

Interim statements of operations and comprehensive income (loss)

	For the three month period ended	
	March 31, 2009	March 31 2008
	\$ (unaudited)	\$ (unaudited)
Interest income	63,091	299,410
Expenses		
Administrative costs	219,315	220,945
Capital taxes	3,500	17,000
Tax indemnity payments (note 10)	175,789	-
	398,604	237,945
Income (loss) before income taxes	(335,513)	61,465
Future income tax recovery	(88,092)	-
Net and comprehensive income (loss)	(247,421)	61,465
Earnings (loss) per share (Note 7)	(0.03)	0.01
Weighted average number of common shares outstanding (Note 7)	7,724,084	7,724,084

See accompanying notes

SWEF TERRAWINDS RESOURCES CORP.

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Interim statements of changes in shareholders' equity

For the three month period ended March 31, 2009

	Share Capital	Retained Earnings
	\$	\$
Balances at December 31, 2008	17,945,909	3,170,786
Net and comprehensive loss	-	(247,421)
Balances at March 31, 2009 (unaudited)	17,945,909	2,923,365

For the three month period ended March 31, 2008

	Share Capital	Retained Earnings
	\$	\$
Balances at December 31, 2007	69,081,257	8,699,803
Distributions paid as return of capital invested	(44,809,807)	-
Net and comprehensive income	-	61,465
Balances at March 31, 2008 (unaudited)	24,271,450	8,761,268

See accompanying notes

SWEF TERRAWINDS RESOURCES CORP.

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Interim balance sheets

	March 31, 2009	December 31, 2008
	\$	\$
	(unaudited)	
Assets		
Current assets		
Cash	2,672,098	2,893,568
Restricted cash and cash equivalents (Note 4)	24,315,027	24,490,816
Other receivables	35,070	35,070
Due from SkyPower Corp. (Note 5)	19,839	17,587
Prepaid expenses (short-term)	49,840	16,098
	27,091,874	27,453,139
Prepaid expenses (long-term)	63,886	69,083
	27,155,760	27,522,222
Liabilities		
Current liabilities		
Accounts payable, accrued and other liabilities	362,474	393,423
Due to SkyPower Corp. (Note 5)	164,822	164,822
Class A preference shares	100	100
	527,396	558,345
Future income tax liability	5,759,090	5,847,182
	6,286,486	6,405,527
Shareholders' Equity		
Share capital	17,945,909	17,945,909
Retained earnings	2,923,365	3,170,786
	27,155,760	27,522,222

Subsequent events (Note 9)

Contingencies (Note 10)

See accompanying notes

On behalf of the Board:

Signed "W. Judson Martin"

..... Director

Signed "Gary Solway"

..... Director

SWEF TERRAWINDS RESOURCES CORP.

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Interim statements of cash flows

	For the three month period ended	
	March 31 2009	March 31 2008
	\$ (unaudited)	\$ (unaudited)
Operating activities		
Net income (loss)	(247,421)	61,465
Non-cash items		
Future income tax recovery	(88,092)	-
Changes in non-cash working capital items		
Other receivables	-	(42,289)
Prepaid expenses	(28,545)	(135,836)
Due from SWEF LP	-	3,957,385
Accounts payable, accrued and other liabilities	(30,949)	(3,806,770)
Due to/from SkyPower Corp.	(2,252)	(2,252)
	(397,259)	31,703
Investing activities		
Restricted cash and cash equivalents	175,789	(49,640)
	175,789	(49,640)
Financing activities		
Distributions paid as return of capital invested	-	(44,809,847)
	-	(44,809,847)
Net decrease in cash during the period	(221,470)	(44,827,784)
Cash, beginning of period	2,893,568	47,759,457
Cash, end of period	2,672,098	2,931,673
Supplemental disclosure of cash flow information		
Operating activities		
Cash interest received	69,236	249,600

See accompanying notes

SWEF Terrawinds Resources Corp. **(formerly known as “Terrawinds Resources Corp.”)**

Notes to the interim financial statements

For the three month period ended March 31, 2009

1. Description of business

SWEF Terrawinds Resources Corp. (the “Company”) was incorporated on December 8, 2003 under the provisions of the Canada Business Corporations Act. On incorporation, there were 100 issued and outstanding Class A common shares owned by SkyPower Corp. (“SkyPower”).

On December 23, 2005, the Company issued 9,716,450 common and 59,364,807 flow-through shares to SWEF LP (the “Partnership”). On the same date, SkyPower’s initial investment of 100 Class A common shares was converted into 71,900,901 Class A preference shares of the Company, representing a 51% voting interest in the Company.

The Company intended to use the proceeds of the common and flow-through share investments towards the construction of a wind turbine project (the “Facility”), including 22 wind turbines as part of the Canadian Renewable Conservation Expense Test Phase and conduct a 120-day test phase and, if successful, construct and operate the balance of the turbines in Riviere du Loup, Québec, to generate electricity for sale to Hydro-Québec pursuant to a 21 year power purchase agreement.

On December 28, 2007, the Company sold certain assets and liabilities relating to the Facility to SkyPower. The result of the transaction is that the Partnership purchased the 71,900,901 Class A preference shares of the Company from SkyPower and the Company has ceased to carry on the development of the Facility. The Company is in the process of winding up its affairs.

On December 12, 2008, the Company consolidated every 8.943618 of its issued and outstanding common shares into 1 non-voting common share of the Company. The Partnership then repurchased and cancelled all of its outstanding limited partnership units in exchange for 7,724,084 non-voting common shares of the Company. The result of this capital reorganization is that the former limited partners of the Partnership are now shareholders of the Company. The Partnership continues to hold all of the Class A preference shares of the Company representing 100% of the voting interests in the Company.

The general partner of the Partnership is SWEF GP Inc. (the “General Partner”). As of January 1, 2008, the General Partner is owned by the Chairman of the Board of the General Partner, a related party to the Partnership and the Company, as an accommodation to unit holders of the Partnership and to facilitate the sale of certain assets and liabilities described above.

SWEF Terrawinds Resources Corp.

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Notes to the interim financial statements

For the three month period ended March 31, 2009

2. Significant accounting policies

These interim financial statements are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim periods presented. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. The accounting policies used in the preparation of these interim financial statements are the same as those used in the most recent annual consolidated financial statements, except as described in Note 3. These interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2008.

3. Accounting policies adopted

Effective January 1, 2009 the Company adopted the requirements of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, Goodwill and Intangible Assets. Section 3064 replaces Sections 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development Costs. Additionally, Accounting Guideline AcG-11, Enterprises in the Development Stage, has been modified and EIC-27, Revenues and Expenditures during the Pre-Operating Period will not apply to entities that have adopted Section 3064. Adopting Section 3064 had no impact on the interim financial statements.

4. Restricted cash and cash equivalents

As at March 31, 2009, restricted cash and cash equivalents include the following:

- \$24,315,027 held in trust to compensate shareholders for the taxes payable by them as a result of the loss of certain tax deductions. Of the total amount held in trust, \$23,999,963 was invested in 60-day Government of Canada Treasury Bills as at March 31, 2009.

As at December 31, 2008, restricted cash and cash equivalents include the following:

- \$24,490,816 held in trust to compensate shareholders for the taxes payable by them as a result of the loss of certain tax deductions. Of the total amount held in trust, \$23,972,444 was invested in 60-day Government of Canada Treasury Bills as at December 31, 2008.

5. Due to/from SkyPower Corp. and transactions with SkyPower Corp.

- (i) Due from SkyPower Corp. includes amounts owed by SkyPower which remain to be received as part of a final accounting of amounts between the Partnership, the Company and SkyPower.
- (ii) Due to SkyPower Corp. includes amounts owed to SkyPower which remain to be paid as part of a final accounting of amounts between the Partnership, the Company and SkyPower.
- (iii) On closing of the transaction described in Note 1, the Partnership, the Company, the General Partner and SkyPower entered into a Transition Services Agreement. The agreement provides for SkyPower to provide information to the Company to assist in the preparation of financial statements and other reports. The agreement expired on June 30, 2008. No fee is payable to SkyPower in respect of this agreement.

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Notes to the interim financial statements

For the three month period ended March 31, 2009

6. Capital management

The Company is in the process of winding up its affairs and, as such, the Company's objective for managing the capital structure is to invest cash to earn the highest possible amount of interest income, while also maintaining liquidity so as to pay dividends to shareholders, to pay administrative expenses and to fund contingency payments (if any). Funds are invested in accordance with an investment policy which limits investments to those that maximize interest income, while avoiding excessive risk, in order to protect capital. Management monitors capital markets in the context of the general economic environment, the Company's financial position and outlook.

The Company's capital consists of cash, restricted cash, and share capital.

7. Earnings (loss) per share

Effective December 12, 2008, the Company completed a share consolidation of the issued and outstanding common shares using an 8.943618:1 ratio. As a result of the share consolidation, every 8.943618 shares of the Company's issued and outstanding common shares were consolidated into 1 non-voting common share of the Company. Accordingly, all of the Company's issued and outstanding common shares for all periods presented have been restated to reflect the share consolidation. This includes the weighted average number of common shares outstanding used to calculate earnings (loss) per share consistent with the requirements of CICA Handbook Section 3500, Earnings per Share. As a result, earnings (loss) per share have been calculated based on the weighted average number of common shares outstanding of 7,724,084.

The diluted earnings (loss) per share is not presented as there are no dilutive items outstanding.

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8. Financial instruments

The Company's financial assets and liabilities are comprised of cash, restricted cash and cash equivalents, other receivables, due from SkyPower Corp., accounts payable, accrued and other liabilities and due to SkyPower Corp. The significant risks that could materially affect the Company's future business results are summarized as follows:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the settlement of its financial liabilities. The Company manages liquidity risk by maintaining sufficient cash on hand to settle obligations as they arise. It is management's belief that the Company is not subject to any significant liquidity risks arising from its financial instruments.

Credit risk

The Company is exposed to credit risk with respect to its restricted cash equivalents, other receivables and due from SkyPower Corp. balance. The Company manages credit risk through an investment policy related to the investment of all funds, the accurate filing of commodity tax returns and ongoing negotiations between the Company and SkyPower. It is management's belief that the Company is not subject to any significant credit risks arising from its financial instruments.

Interest rate risk

The Company is exposed to interest rate risk that arises from fluctuations in interest rates on its cash and restricted cash and cash equivalents. The Company manages interest rate risk by investing funds only in bank accounts with set interest rates, or in guaranteed investment certificates. It is management's belief that the Company is not subject to any significant interest rate risks arising from its financial instruments.

Currency risk

The Company has no significant currency risk as almost all of its interest income, expenses, assets and liabilities are denominated in Canadian dollars.

Other price risk

The Company does not own any equity investments. The Company is not exposed to any significant other price risk.

Fair values

As at March 31, 2009, the carrying amount of cash, restricted cash and cash equivalents, other receivables and accounts payable, accrued and other liabilities approximates their fair value due to the short-term nature of these financial instruments.

The fair values of the amounts due to/from SkyPower Corp. are less than their carrying values, as amounts are non-interest bearing. It is management's best estimate that these amounts will be paid within a year. Therefore the fair values of the amounts to/from SkyPower Corp. approximate their carrying values due to their anticipated short-term maturity.

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9. Subsequent events

As at March 31, 2009, the Company was a reporting issuer in all Provinces of Canada except Ontario. On April 28, 2009, the Company became a reporting issuer in the Province of Ontario.

10. Contingencies

In connection with the sale of certain assets and liabilities to SkyPower as described in Note 1, certain liabilities, though assigned in substance and principle by the agreements to SkyPower, are not legally assignable in form, and therefore the Partnership or the Company may be required to make payments in the future if SkyPower fails to honour its obligations.

As at March 31, 2009, the maximum potential amount and likelihood of future payments that the Company could be required to make under these indemnification provisions and legal contingencies is not reasonably quantifiable or determinable. No amount has been recorded in the financial statements in respect of such potential future exposures.

The Company is contingently liable to pay amounts claimed by shareholders in respect of certain reassessments by applicable taxation authorities. The tax indemnity fund classified as restricted cash, and held in trust by the Agent, has been restricted for the purposes of indemnifying shareholders. The precise amount of future payments from the tax indemnity fund that the Company could be required to make is not reasonably determinable. In any event, the maximum amount payable will not exceed the amount currently held in the tax indemnity fund.

11. Transition of Canadian GAAP to International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace Canadian generally accepted accounting principles for all publicly accountable enterprises, no later than fiscal years commencing on or after January 1, 2011. The Company would be required to report its results in accordance with IFRS starting in 2011. At this time, the Company has not begun an IFRS conversion plan, as it is anticipated that all tax indemnity payments will be made, and the Company wound up prior to January 1, 2011. If this is not the case, it is the Board’s high level assessment that the conversion to IFRS will not have any material changes to the Company’s financial statements due to the simplicity of the Company’s ongoing activities, however the exact financial impact of the transition to IFRS cannot be reasonably estimated at this time.