

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

The following management discussion and analysis ("MD&A") is provided by management of SWEF LP (the "Partnership") and should be read in conjunction with the audited consolidated financial statements of the Partnership for the year ended December 31, 2007, together with the related notes contained therein. The Partnership's most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the Internet at www.sedar.com or on the Partnership's website at www.sweflp.com.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward looking statements within the meaning of the *Securities Act* (Ontario) regarding the future performance of the Partnership based on assumptions the management of SWEF GP Inc., the General Partner of the Partnership (the "General Partner"), considered reasonable at the time it was prepared as of April 29, 2008. All forward-looking statements are inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward looking statements. We consider the assumptions on which these forward looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect. These forward looking statements involve a number of risks, uncertainties and assumptions, including the risk of future tax assessments, litigation or other unanticipated expenses. These risks and uncertainties as well as additional information are outlined in this MD&A.

The Partnership disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise, except as required by law. These risks may cause the actual results, performance or achievements of the Partnership to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These cautionary statements expressly qualify all forward looking statements attributable to the Partnership.

Overview

- On October 26, 2007, the Partnership announced that it had agreed to enter into a non-binding letter of intent to sell the assets of Terrawinds Resources Corp. ("Terrawinds") to SkyPower Corp. ("SkyPower"). In connection with the letter of intent, Messrs. Kerry Adler, David Bacon and Cory Basil, all of whom are senior officers of SkyPower, resigned their positions as senior officers of the General Partner and Terrawinds and, in the case of Mr. Adler, as a director of the General Partner and Terrawinds.
- On November 27, 2007 the Partnership announced that it had entered into a binding agreement (the "Asset Purchase Agreement") to sell the assets of Terrawinds to SkyPower for \$77.2 million, subject to approval of the limited partners of the Partnership (the "unit holders") and certain other conditions.
- On December 28, 2007, the unit holders voted over 99% in favour of the asset sale transaction (the "Transaction") and the Transaction was completed later the same day. The Administrative Services Agreement pursuant to which SkyPower provided administrative services to Terrawinds and the Partnership terminated on closing and was replaced with a

Transition Services Agreement under which SkyPower has agreed to provide certain information upon request for 6 months.

- After closing, the Partnership and the General Partner changed their names as required by the Asset Purchase Agreement.
- On January 16, 2008 an initial distribution of \$5.28 per unit was made to unit holders.
- On April 29, 2008, the \$5 million placed in escrow on closing was released to Terrawinds. These funds will be used by Terrawinds as described in the "Outlook" section below.
- The Partnership has ceased to carry on development of the wind power project (the "Project") and is in the process of winding up its affairs.

The Transaction

On December 28, 2007, Terrawinds completed the Transaction by which it sold certain assets and liabilities relating to the Project to SkyPower for gross proceeds of \$77,230,830, inclusive of the assumption by SkyPower of certain liabilities amounting to \$221,002,135. The result of the transaction is that the Partnership has divested all of its beneficial ownership interest in the Project and underlying liabilities.

A distribution of \$5.28 per unit was made to unit holders on January 16, 2008.

\$5,000,000 of the total gross proceeds was placed into escrow for a period of four months from the closing date to be available to SkyPower in the event certain unforeseen claims were made against it or the assets it purchased. As no claims were made, the escrow amount was distributed to Terrawinds on April 29, 2008.

On January 4, 2008, Terrawinds entered into a tax indemnity payment agent agreement with a tax indemnity agent (the "Agent") whereby \$24,490,816 of the total gross proceeds was paid to the Agent to be held in trust. These funds will be used to indemnify unit holders for the taxes payable by them as a result of the loss of certain deductions from income for Canadian Federal and Provincial income tax purposes that unit holders expected to receive for their 2005 taxation year. Any trust balance not required to indemnify unit holders will be returned to Terrawinds.

On closing, Terrawinds and the Partnership set aside a portion of the purchase price as a reserve to pay transaction expenses, liabilities not assumed by SkyPower, and ongoing expenses of the Partnership and Terrawinds that will be incurred during the period until all amounts available for distribution to unit holders have been distributed and the Partnership and Terrawinds have been dissolved. The amount of the reserve was \$7 million. If the amount of the reserve is insufficient, some or all of any balance of the tax indemnity amount or the escrow amount may be added to the reserve and used to meet expenses and liabilities. Any portion of the tax indemnity amount, escrow amount or reserve not required for the foregoing purposes will ultimately be distributed *pro rata* to unit holders as soon as possible.

The Partnership acquired all of the outstanding Class A preference shares of Terrawinds, representing 51% of the voting securities of Terrawinds for \$100. The Administrative Services Agreement and Exchange Agreement, both dated December 23, 2005 among Terrawinds, the General Partner and SkyPower, were cancelled on closing.

The Partnership recorded a gain on the sale of the above assets/liabilities in the amount of \$5,989,907. The gain is calculated as follows:

Gain on sale of certain net assets	\$
Proceeds	77,240,830
Current assets	886,739
Deferred development costs	287,309,005
Accounts payable and accrued liabilities	(6,630,446)
Forgiveness of amounts owed to SkyPower	(2,032,513)
Turbine supply loan	(212,339,176)
Accrued transaction costs	4,057,314
Net assets disposed, including transaction costs	71,250,923
Gain on sale of net assets	5,989,907

The Transaction significantly impacts the comparison of operating results for the 12 months and 3 months ended December 31, 2007 to the same respective periods ended December 31, 2006.

Selected Financial and Quarterly Information

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Total
Revenues	\$ 93,052	\$ 56,980	\$ 112,145	\$ 39,136	\$ 301,313
Net Income (Loss) before Income Taxes	\$ (351,898)	\$ (424,736)	\$ (445,314)	\$ 5,952,785	\$ 4,730,837
Future Income Tax Recovery	\$ -	\$ 296,824	\$ -	\$ 18,171,567	\$ 18,468,391
Net Income (Loss)	\$ (351,898)	\$ (127,912)	\$ (445,314)	\$ 24,124,352	\$ 23,199,288
Net Income (Loss) per Unit	\$ (0.05)	\$ (0.02)	\$ (0.06)	\$ 3.13	\$ 3.00

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Total
Revenues	\$ 277,738	\$ 313,494	\$ 354,367	\$ 172,255	\$ 1,117,854
Net Loss before Income Taxes	\$ (54,663)	\$ (150,718)	\$ (177,839)	\$ (116,241)	\$ (499,461)
Future Income Tax Recovery	\$ -	\$ 249,333	\$ -	\$ -	\$ 249,333
Net Income (Loss)	\$ (54,663)	\$ 98,615	\$ (177,839)	\$ (116,241)	\$ (250,128)
Net Income (Loss) per Unit	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ (0.02)	\$ (0.03)

	December 31, 2007	December 31, 2006
Deferred Development Costs	\$ -	\$ 85,694,731
Total Assets	\$ 81,814,408	\$ 103,654,000
Total Long-Term Financial Liabilities	\$ -	\$ -
Cash Distributions Declared per Unit	\$ -	\$ -

Additional Financial Information

As at December 31, 2007 there are no material components of deferred development costs to present.

The material components of general and administrative expenses are as follows:

	December 31, 2007
Professional fees	\$ 200,014
Insurance	\$ 136,682
Director's fees	\$ 252,518
Management fees	\$ 500,080
Other	\$ 87,881
Total	\$1,177,175

Other Significant Events

During the three month period ended December 31, 2007 and subsequent to year end, the following significant events have occurred:

Construction and Project Schedule

As previously disclosed, factors beyond the Partnership's control resulted in unforeseen delays and the need to make extensive revisions to the layout, engineering and construction plan for the Project. Those delays and changes significantly reduced the Project's projected energy output and significantly increased the costs of the Project. Despite the strenuous efforts of the Partnership's management and advisers to address the effects of the unforeseen delays and

revisions, the Partnership was unable to secure the accommodations, amendments and revisions to key agreements required in order for the Project to be economically viable.

CRCE Phase Deductions

As a result of Terrawinds being unable to complete the CRCE Phase by December 31, 2006, Terrawinds had received an administrative concession from the Canada Revenue Agency ("CRA") and Revenue Québec in March 2007 that they would not re-assess, at that time, unit holders who deducted Canadian Exploration Expense ("CEE") in respect of the Partnership in their 2005 tax returns on the basis that Terrawinds continued to work to complete the CRCE Phase of the Project in 2007.

Terrawinds did not incur sufficient CEE in 2007. As a result, CRA and Revenue Québec (if applicable) are expected to initiate the process of preparing a reassessment of each unit holder's 2005 taxation year. Unit holders are expected to receive a Notice of Reassessment directly from CRA and Revenue Québec (if applicable) indicating the incremental Federal and Provincial income tax payable for their 2005 income tax year. Interest will generally only accrue from May 1, 2007 on the incremental income tax based on each unit holder's share of the amount of CEE that Terrawinds failed to incur before the end of 2007.

As a result of the Transaction, Terrawinds has placed in trust approximately \$24.5 million of proceeds to indemnify the unit holders against reassessments by CRA and/or Revenue Québec. The CRA has advised that, prior to proceeding with the reassessment of unit holders, it intends to audit the CEE incurred and renounced by Terrawinds in respect of the 2005 taxation year. The results of this audit may increase the amount that unit holders are entitled to claim. Accordingly, unit holders will not be able to complete the indemnity claims process prior to the completion of the CRA audit. Based on discussions with the CRA, we expect that the audit of Terrawinds will commence shortly. However, we do not know when the audit will be completed or when the Notices of Reassessment will be issued by the CRA. Unit holders who are residents of the Province of Québec will also receive a Notice of Reassessment from Revenue Québec. Based on discussions with Revenue Québec, we expect that reassessments of unit holders for Québec income tax purposes will commence shortly as Revenue Québec has indicated that it does not intend to audit Terrawinds. Accordingly, residents of Québec may file an indemnity claim at any time upon receipt of a Notice of Reassessment from Revenue Québec in respect of that portion of their claim.

Terrawinds was subject to certain additional taxes as a result of the expected shortfall in CEE expenditures incurred in 2006 and 2007. The Partnership successfully negotiated certain statutory amendments and other relief which reduced these additional taxes. The Partnership satisfied the additional taxes owed with a payment funded by SkyPower in accordance with SkyPower's obligations under the Transaction agreements.

Results of Operations

Annual Comparison

Net income for the year ended December 31, 2007 was \$23.2 million compared to a net loss of \$0.3 million for the same period in 2006. The increase of \$23.5 million is due primarily to the gain recorded on sale of certain net assets on December 27, 2007 of \$5.9 million, a future tax recovery of \$18.5 million relating to the reversal of the future tax liability recognized in the first quarter of fiscal 2006 and a decrease in interest income of \$0.8 million (explained below).

Interest income for the year ended December 31, 2007 was \$0.3 million compared to \$1.1 million for the same period in 2006. The decrease of \$0.8 million is due to increased expenditures on deferred development costs, which resulted in less cash available upon which interest could be earned.

Administrative costs for the year ended December 31, 2007 were \$1.2 million compared to \$1.5 million for the same period in 2006. The decrease of \$0.3 million is due to an overall reduction in various professional fees and other operating expenses related to the suspension of construction activities on October 26, 2007.

Capital tax expense for the year ended December 31, 2007 is \$0.4 million compared to \$0.2 million for the same period in 2006. The increase of \$0.2 million is due to the Partnership having a higher taxable capital base throughout fiscal 2007 compared to fiscal 2006 due to increased borrowings.

Future income tax recovery for the year ended December 31, 2007 is \$18.5 million compared to \$0.3 million for the same period in 2006. The increase of \$18.2 million is due to a non-cash future income tax recovery of \$18.2 million related to the reversal of the future income tax liability recognized in the first quarter of fiscal 2006 as a result of the Transaction.

Quarterly Comparison

Net income for the three month period ended December 31, 2007 was \$24.1 million compared to a net loss of \$0.1 million same period in 2006. The increase of \$24.2 million is due primarily to the same factors described above under the annual comparison.

Interest income for the three months ended December 31, 2007 was insignificant compared to \$0.2 million for the same period in 2006. The decrease of \$0.2 million is due to increased expenditures on deferred development costs, which resulted in less cash available upon which interest could be earned.

Administrative costs for the three months ended December 31, 2007 were \$0.3 million compared to an expense of \$0.2 million for the same period in 2006. The increase of \$0.1 million is not significant.

Capital tax expense for the three months ended December 31, 2007 is a recovery of \$0.2 million compared to an insignificant expense for the same period in 2006. The recovery of \$0.2 million is due to the assumption of the term loan by SkyPower at December 28, 2007, which substantially reduced the taxable capital base of the Partnership.

Future income tax recovery for the three months ended December 31, 2007 is \$18.2 million compared to \$ nil for the same period in 2006. The increase of \$18.2 million is due to a non-cash future income tax recovery of \$18.2 million related to the reversal of the future income tax liability recognized in the first quarter of fiscal 2006 as a result of the Transaction.

Liquidity and Capital Resources

At December 31, 2007, the Partnership had cash and cash equivalents of \$47.8 million compared to \$14.3 million at December 31, 2006. The Partnership had incurred cumulative deferred development costs of \$ 287.3 million as of December 28, 2007 (prior to the Transaction described above, which reduced deferred development costs to \$ nil at December 31, 2007) compared to \$85.7 million at December 31, 2006.

Cash inflows from operating activities for the three month period ended December 31, 2007 were \$0.6 million, and include net income from operations of \$24.1 million, a loss from non-cash items of \$24.2 million, and net inflows related to changes in non-cash working capital items of \$0.7 million. Cash outflows from operating activities for the year ended December 31, 2007 were \$4.8 million, and include net income from operations of \$23.2 million, a loss from non-cash items of \$24.5 million, and net outflows related to changes in non-cash working capital items of \$3.5 million.

Cash inflows from financing activities during the three month period, and in the year ended December 31, 2007, amounted to \$0.5 million and \$187.2 million, respectively from the net proceeds after financing costs drawn on the new \$247 million credit facility (the "New Credit Facility") as outlined in Note 9 to the Partnership's consolidated financial statements as at and for the year ended December 31, 2007. The loan was used to fund progress payments due in 2007 under the Turbine Supply Agreement for the turbines to be delivered in 2007, associated shipping costs and interest costs and commitment fees associated with the New Credit Facility. Terrawinds incurred a total of \$4.6 million in financing fees associated with the Turbine Supply Loan for the year ended December 31, 2007, of which \$0.5 million were paid in the three month period ended December 31, 2007.

Cash provided from investing activities for the three month period ended December 31, 2007 amounted to \$43.2 million, which is made up of cash proceeds from the sale transaction of \$77.2 million net of deferred development cost cash outflows of \$4.5 million and transfers to restricted cash of \$29.5 million. Cash used in investing activities for the year ended December 31, 2007 amounted to \$148.9 million, which is made up of cash proceeds from the Transaction of \$77.2 million net of deferred development cost cash outflows of \$197.0 million and transfers to restricted cash of \$29.1 million. Amounts spent on development costs include progress payments made to General Electric Company under the Turbine Supply Agreement for turbines delivered in 2007, ongoing costs for the environmental and permitting approval processes, progress payments to Hatch Acres under the Construction Management Agreement, progress payments on certain supply contracts for materials for the substation and distribution system and construction costs for the substation. Also, included in deferred development costs for the three month period and year ended December 31, 2007 is \$1.7 and \$7.5 million of capitalized interest expense on the New Credit Facility.

As at December 31, 2007 restricted cash and cash equivalents includes the following:

- \$24,490,816 held in trust to compensate unit holders for the taxes payable by them as a result of the loss of certain tax deductions as further described above.
- \$5,000,000 held in escrow as per the terms and conditions of the escrow agreement as further described above. These funds have been invested in three-month Government of Canada Treasury Bills.

Terrawinds also held approximately \$47.75 million in cash at December 31, 2007 that was unrestricted. Of that, approximately \$40.75 million was intended to be paid to the Partnership and returned to unit holders leaving a balance of \$7 million to fund the Transaction expenses and ongoing expenses of winding up Terrawinds and the Partnership. Management expects that \$7 million should be sufficient for those purposes, assuming the CRA audit does not result in a material decrease in the amount CEE incurred by Terrawinds.

As at December 31, 2006, restricted cash and cash equivalents included amounts funded to Terrawinds through the Turbine Supply Loan. These funds could only be accessed to fund progress payments owing to General Electric Company under the Turbine Supply Agreement for the turbines delivered in 2006 and 2007, and for related interest, commitment fees and costs associated with the Turbine Supply Loan.

Related Party Transactions

Related party transactions are described in Notes 4 and 8 to the Partnership's consolidated financial statements as at and for the year ended December 31, 2007.

Outstanding Partnership Unit Data

The Partnership has authorized an unlimited number of units. As at December 31, 2007 and April 29, 2008, there are 7,724,084 limited partnership units outstanding.

Commitments and Contingencies

In connection with the Transaction, certain liabilities, though assigned in substance and principle by the agreements to SkyPower, are not legally assignable in form, and therefore the Partnership or Terrawinds may be required to make payments in the future if SkyPower fails to honour its obligations. SkyPower has honoured all payment obligations to date.

As at December 31, 2007, the maximum potential amount and likelihood of future payments that the Partnership 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 exposure.

Off-Balance Sheet Arrangements

The Partnership and Terrawinds had no off-balance sheet arrangements as at December 31, 2007.

Critical Accounting Policies

Deferred Development Costs

Specific costs of developing the Project which meet the conditions for deferral under Canadian generally accepted accounting principles are deferred and amortized from the beginning of the commercial operation date following the completion of the infill phase construction over an appropriate period depending on the nature of the deferred item. Annually, the Partnership reviews the recoverability of the deferred development costs through an evaluation of the expected future cash flows from the operation of the project, on a non-discounted basis, to determine if there has been impairment in the value of the deferred development costs. All other research and development costs not meeting the criteria for deferral are charged to earnings in the year incurred.

Consolidation

In accordance with the guidance of the Canadian Institute of Chartered Accountants' ("CICA") Accounting Guideline 15 ("AcG-15") "Consolidation of Variable Interest Entities", Terrawinds has been determined to be a variable interest entity. As a result of the terms of the flow-through and other common shares, the Partnership has a variable interest in Terrawinds and will receive a majority of Terrawinds expected residual returns and will absorb the majority of the expected losses. Under the provision of AcG-15, the Partnership is deemed to be the primary beneficiary and has consolidated the results of Terrawinds in its financial statements.

Recent Accounting Pronouncements

The CICA has issued the following new and revised accounting standards:

Financial Instruments

Section 3855, Financial Instruments – Recognition and Measurement, this section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition. There was no impact on the Partnership's consolidated financial statements as at January 1, 2007 and December 31, 2007.

Comprehensive Income

Section 1530, Comprehensive Income, this section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in Partners' capital, which results from transactions other than those resulting from investments by unit holders and distributions to unit holders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments. Upon adoption of Section 1530, the Partnership revised its "Consolidated Statement of Operations" to include the newly required Statement of Comprehensive Income by creating a combined statement. Partners' Equity now includes Accumulated Other Comprehensive Income, which was nil at January 1, 2007 and December 31, 2007.

Hedges

Section 3865, Hedges, the recommendations expand the guidelines outlined in Accounting Guideline 13 ("AcG-13"), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item. There was no impact on the Partnership's consolidated financial statements as at January 1, 2007. The Partnership entered into an interest rate swap on August 1, 2007 and the impact of the hedge on the consolidated financial statements is disclosed in Note 9.

Accounting Changes

Section 1506, Accounting Changes, effective for fiscal years beginning on or after January 1, 2007. This provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information. There was no impact on the Partnership's consolidated financial statements as at January 1, 2007 and December 31, 2007 as a result of adopting this section.

Outlook

- On April 29, 2008, the escrow agent released the full amount of the \$5.0 million placed in escrow at the time of closing. These funds will be held by Terrawinds until the CRA audit of the CEE is completed. If the audit confirms the CEE amounts claimed, the full \$5 million (\$0.65 per unit) will be promptly distributed to unit holders. Based on discussions with the

CRA, we expect that the audit of Terrawinds will commence shortly. However, we do not know when the audit will be completed.

- On March 10, 2008 and April 29, 2008 management provided instructions to unit holders regarding the process for submitting tax indemnity claims. Distributions of the \$24.5 million held in trust by the Payment Agent are expected to commence when CRA completes the audit of the CEE and then provides unit holders individual reassessments for the 2005 tax year which are required to make their tax indemnity claims. Further information is available at www.sweflp.com and www.terida.com/paymentagent.
- The Partnership is expected to be wound up in the second quarter. Details regarding the winding up process are set out in the Management Information Circular dated November 29, 2007.
- Upon winding up of the Partnership, the Partnership will apply to cease to be a reporting issuer under applicable securities laws.
- Terrawinds will be wound up once the tax indemnity claims payments have been completed. It is anticipated that this will take more than a year to complete.
- Any portion of the cash held by the Partnership or Terrawinds which is not required to fund obligations of the Partnership or Terrawinds will ultimately be distributed to unit holders.
- Unit holders are encouraged to regularly visit www.sweflp.com to obtain up-to-date information on the status of SWEF LP and the tax indemnity process.

This Outlook section is based on management's assumptions and expectations that management considers reasonable at the date hereof. There can be no assurance that these assumptions and expectations will be accurate. See "Forward Looking Statements" and "Risks and Uncertainties".

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

In accordance with the requirements of the Securities Act (Ontario) and other provincial securities legislation, the Partnership management, including the Chief Executive Officer (“CEO”) of the General Partner and the Chief Financial Officer (“CFO”) of the General Partner are responsible for establishing and maintaining disclosure controls and procedures as well as internal control over financial reporting. The Partnership does not have a full time CEO or CFO, nor does it have any employees. Mr. Judson Martin, Chair of the Board, is fulfilling both roles.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Partnership’s CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at December 31, 2007, Mr. Martin evaluated the effectiveness of the Partnership’s disclosure controls and procedures as required by Canadian securities laws. As a result of the Transaction, the disclosure controls and procedures were completely revised to replace the services formerly provided by SkyPower. Mr. Martin has concluded that, as of December 31, 2007, the new disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the Partnership’s annual filings, interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure In Issuers’ Annual and Interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to him, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Management of the Partnership is responsible for designing internal controls over financial reporting for the Partnership as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

Mr. Martin evaluated whether there were changes in the Partnership’s internal controls over financial reporting during the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Partnership’s internal controls over financial reporting. No such changes were identified through management’s evaluation or any other means. As a result of the Transaction, the system of internal controls over financial reporting was completely revised to replace the services formerly provided by SkyPower. Mr. Martin is satisfied with the new controls that have been implemented.

Risks and Uncertainties

Future Liabilities

Pursuant to the terms of the Asset Purchase Agreement, most liabilities of Terrawinds existing prior to closing were assumed by SkyPower. However, should SkyPower fail to fulfill those obligations, Terrawinds may be required to fulfill them. In addition, as the wind power project did not proceed, it is possible that unanticipated liabilities could arise which are not assumed by SkyPower.

CRA Audit of Terrawinds

CRA has indicated it will be conducting an audit of the CEE incurred by Terrawinds and allocated to unit holders in respect of the 2005 taxation year. As a result, it is possible that a portion of the expenses incurred by Terrawinds and allocated to unit holders will increase as CEE could be disallowed. If that occurs, the obligation of Terrawinds to indemnify unit holders for additional taxes payable by them will increase. The amount of CEE incurred by Terrawinds and allocated to unitholders in respect of the 2005 taxation year was approximately \$6.5 million. If all of the CEE were to be disallowed, assuming a marginal tax rate of 50% for all unit holders, the maximum additional obligation of Terrawinds would be approximately \$3.25 million.

Reliance on SkyPower

SkyPower was responsible for the administration of the Partnership and the management and operation of the Project up to closing. The Partnership has relied on SkyPower to disclose all pertinent information necessary to enable the Partnership to carry on its business.

The Partnership, General Partner and Terrawinds

The Partnership and the General Partner have nominal assets. While the General Partner has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has nominal assets and it is unlikely that it will have sufficient assets to satisfy any claims pursuant to such indemnity.

Loss of Limited Liability

Limited Partners may lose the protection of limited liability by taking part in the control of the business of the Partnership.

Corporate Governance

The corporate governance practices of the Partnership must be considered in the context of the overall structure of the Partnership. The Partnership holds all of the outstanding shares of Terrawinds, the Partnership's operating company. The General Partner is the general partner of the Partnership, and as such, is responsible for the management and administration of the Partnership. The Board of Directors of the General Partner (the "Board") is responsible for supervising the limited activities and affairs of the General Partner, which activities include management and administration of the Partnership and representing the Partnership as the sole shareholder of Terrawinds. Arrangements have been made under a number of charters and policies for the governance of the Partnership and Terrawinds and the administration of the affairs

of the Partnership. The governance practices of the Partnership and Terrawinds in relation to the disclosure requirements of NI 58-101F2, taking into account the particular structure of the Partnership and Terrawinds, are set out below.

<p align="center">Governance Disclosure Guideline under NI 58-101</p>	<p align="center">Comments</p>
<p>1. Board of Directors</p> <p>(a) Disclose the identity of directors who are independent</p>	<p>The Board has determined that both directors are “independent”, within the meaning of NI 58-101.</p> <p>Each of the directors of the General Partner is also a director of Terrawinds.</p>
<p>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>None</p>
<p>2. Directorship</p> <p>If a director is presently a trustee or director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>The following directors currently serve on the board of the reporting issuers (or equivalent) listed below.</p> <p>W. Judson Martin Somerset Entertainment Income Fund Sino-Forest Corporation</p>
<p>3. Orientation and Continuing Education</p> <p>Describe what steps, if any, the Board takes to orient new directors, and describe any resources the board takes to provide continuing education for directors.</p>	<p>None</p>
<p>4. Ethical Business Conduct</p> <p>Disclose what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>The Board has adopted a Code of Business Conduct and Ethics for the Partnership (the “Code”). The Code has been filed on and is accessible through SEDAR at www.sedar.com.</p>
<p>5. Nomination of Directors</p> <p>Disclose what steps, if any, are taken to identify new candidates for Board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.</p>	<p>Mr. Carillo, formerly an associate lawyer at Bennett Jones LLP, became an employee of SkyPower and thereby ceased to be independent. The Board identified Gary Solway, a partner at Bennett Jones LLP, as his replacement.</p>
<p>6. Compensation</p> <p>Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including: (i) who determines compensation, and (ii) the process of delivering compensation.</p>	<p>The current compensation for the directors was determined by the Special Committee formed to review the transaction with SkyPower.</p> <p>There is no CEO.</p>

<p>7. Other Board Committees</p> <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board has no committees other than the Audit Committee. The Audit Committee Charter is attached.</p>
<p>8. Assessments</p> <p>Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees and its individual directors are performing effectively.</p>	<p>No formal steps.</p>

AUDIT COMMITTEE

Audit Committee's Charter

The charter (the "Charter") or our Audit Committee is reproduced as Exhibit "A".

Composition of Audit Committee

The Audit Committee is comprised of Mr. Judson Martin and Mr. Gary Solway. Mr. Judson Martin is "independent" and Mr. Solway is not. The Board is of the view that each member of the Audit Committee is "financially literate". (The terms "independent" and "financially literate" have the meaning given to such terms in Multilateral Instrument 52-110 – Audit Committees ("MI 52-110")).

Relevant Education and Experience

Mr. Martin has obtained extensive experience in finance and accounting related positions, including from having held the position of Chief Financial Officer at Alliance Atlantis Communications Inc., MDC Corporation, and Brookfield Development Corporation, and of Vice President and Treasurer at Trizec Corporation. Mr. Solway is a partner of the law firm Bennett Jones LLP (which acts as counsel to SWEF LP), holds a Bachelor of Commerce from Queen's University and Bachelor of Laws from the University of Toronto.

Audit Committee Oversight

At no time since the commencement of our most recently completed fiscal year have any recommendations by the Audit Committee respecting the appointment and/or compensation of our external auditors not been adopted by our board of directors.

Reliance on Certain Exemptions

At no time since the commencement of our most recently completed fiscal year have we relied on any exemption described in item 5 of Form 52-110F2 under MI 52-110.

Pre-Approval Policies and Procedures

The terms of the Charter state that all non-audit services to be provided by our external auditor to us must be pre-approved by our Audit Committee.

External Auditor Services Fees (By Category)

Audit Fees – Our external auditors billed us approximately \$203,203 and \$186,788 during the fiscal years ended December 31, 2006 and 2007, respectively, for audit fees.

Audit-Related Fees – We did not pay any audit-related fees during the fiscal years ended December 31, 2006 and 2007 for assurance and related services that are reasonably related to the performance of the audits or reviewing our financial statements and which are not included under "Audit Fees" set out above.

Tax Fees – Our external auditors billed us approximately \$91,526 and \$89,650 during the fiscal years ended December 31, 2006 and 2007, respectively, for services related to tax compliance, tax advice and tax planning.

All Other Fees – We did not pay any other fees during the fiscal years ended December 31, 2006 and 2007 for other fees not set out above.

Exemption

We are relying on the exemption in 6.1 of MI 52-110, which exempts us from compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110.

EXHIBIT "A"
SWEF GP INC. (THE "GENERAL PARTNER"),
AS GENERAL PARTNER OF
SWEF LP (THE "PARTNERSHIP")
AUDIT COMMITTEE CHARTER

To the Directors of SWEF GP Inc. (the "General Partner"), as general partner of SWEF LP (the "Partnership"):

1. RESPONSIBILITY

The Audit Committee (the "Committee") is responsible for assisting the board of Directors of the General Partner (the "Board") in fulfilling its responsibilities as the General Partner of the Partnership in relation to:

- (i) the integrity of the Partnership's consolidated financial statements (including those of Terrawinds Resources Corp.);
- (ii) the Partnership's compliance with legal and regulatory requirements related to financial reporting;
- (iii) the qualifications, independence and performance of the Partnership's auditor;
- (iv) the design and implementation of accounting systems, internal controls and disclosure controls;
- (v) the review and identification of the principal risks facing the Partnership and development of appropriate procedures to monitor and mitigate such risks;
- (vi) the development, implementation and administration of the Partnership's Whistleblower Policy; and
- (vii) any additional matters delegated to the Committee by the Board.

2. MEMBERS

The members of the Committee will be selected by the Board on the recommendation of the Compensation, Governance and Nominating Committee.

Each member of the Committee will be both "independent" and "financially literate" within the meaning of applicable securities laws, including without limitation, Multilateral Instrument 52-110 - Audit Committees.

3. DUTIES

The Committee is responsible for performing the duties set out below as well as any other duties at any time required by law to be performed by the Committee or otherwise delegated to the Committee by the Board.

- (a) Appointment and Review of the Auditor

The auditor is ultimately accountable to the Committee and reports directly to the Committee. Accordingly, the Committee will evaluate and be responsible for the General Partner's relationship with the auditor. Specifically, the Audit Committee will:

- (i) select, evaluate and recommend an auditor to the Board for appointment or reappointment, as the case may be, by the Partnership's unitholders and make recommendations with respect to the auditor's compensation;
- (ii) review and approve the auditor's engagement letter;
- (iii) resolve any disagreements between senior management and the auditor regarding financial reporting;
- (iv) at least annually, obtain and review a report by the auditor describing:
 - the auditor's internal quality-control procedures, including the safeguarding of confidential information;
 - any material issues raised by such procedures, or the review of the auditor by any independent oversight body, such as the Canadian Public Accountability Board, or governmental or professional authorities within the preceding year (except during 2004, when such report shall describe any such issues raised during the preceding five years) respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;
- (v) meet with senior management not less than quarterly without the auditor present for the purpose of discussing, among other things, the performance of the auditor and any issues that may have arisen during the quarter; and
- (vi) where appropriate, recommend to the Board that the auditor be terminated.

(b) Confirmation of the Auditor's Independence

At least annually, and in any event before the auditor issues its report on the annual financial statements, the Committee will:

- (i) review a formal written statement from the auditor describing all of its relationships with the Partnership;
- (ii) discuss with the auditor any relationships or services that may affect its objectivity and independence (including considering whether the auditor's provision of any permitted non-audit services is compatible with maintaining its independence);
- (iii) obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the Independence Standards of the Canadian Institute of Chartered Accountants; and
- (iv) confirm that the auditor has complied with applicable rules, if any, with respect to the rotation of certain members of the audit engagement team.

(c) Pre-Approval of Non-Audit Services

The Committee will pre-approve the appointment of the auditor for any non-audit service to be provided to the Partnership; provided that it will not approve any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before the appointment of the auditor for any non-audit service, the Committee will consider the compatibility of the service with the auditor's independence. The Committee may pre-approve the appointment of the auditor for any non-audit services by adopting specific policies and procedures, from time to time, for the engagement of the auditor for non-audit services.

(d) Communications with the Auditor

The Committee has the authority to communicate directly with the auditor and will meet privately with the auditor periodically to discuss any items of concern to the Committee or the auditor.

(e) Review of the Audit Plan

The Committee will discuss with the auditor the nature of an audit and the responsibility assumed by the auditor when conducting an audit under generally accepted auditing standards. The Committee will review a summary of the auditor's audit plan for each audit and approve the audit plan with such amendments as it may agree with the auditor.

(f) Review of Audit Fees

The Committee will review and determine the auditor's fee and the terms of the auditor's engagement and inform the Board thereof. In determining the auditor's fee, the Committee will consider, among other things, the number and nature of reports to be issued by the auditor, the quality of the internal controls of the Partnership, the size, complexity and financial condition of the Partnership and its subsidiaries and the extent of support to be provided to the auditor by the Partnership.

(g) Review of Consolidated Financial Statements and MD&A

The Committee will review and discuss with senior management and the auditor the annual audited consolidated financial statements, together with the auditor's report thereon and the interim financial statements, before recommending them for approval by the Board. The Committee will also review and discuss with senior management and the auditor management's discussion and analysis relating to the annual audited financial statements and interim financial statements. The Committee will also engage the auditor to review the interim financial statements prior to the Committee's review of such financial statements.

(h) Review of Other Financial Information

The Committee will review:

- (i) all earnings press releases and other press releases disclosing financial information, as well as financial information and written earnings guidance provided to analysts and rating agencies. The Committee will also review the use of "pro forma" or "adjusted" non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
- (ii) all other financial statements of the Partnership that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities;
- (iii) the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Partnership's financial statements; and
- (iv) disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings by the Partnership about any significant deficiencies and material weaknesses in the design or operation of the General Partner's internal controls over financial reporting which are reasonably likely to adversely affect the General Partner's ability to record, process, summarize and report financial information, and any fraud involving senior management or other employees who

have a significant role in the General Partner's internal control over financial reporting.

(i) **Oversight of Internal Controls and Disclosure Controls**

The Committee will review periodically with senior management the adequacy of the internal controls and procedures that have been adopted by the General Partner and its affiliated entities to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records. The Committee will review any special audit steps adopted in light of material control deficiencies or identified weaknesses.

The Committee will review with senior management the controls and procedures that have been adopted by the General Partner to confirm that material information about the Partnership and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed.

(j) **Legal Compliance**

The Committee will review any legal matters that could have a significant effect on the Partnership's financial statements.

(k) **Risk Management**

The Committee will oversee the General Partner's risk management function and, on a quarterly basis, will review a report from senior management describing the major financial, legal, operational and reputational risk exposures of the Partnership and the steps senior management has taken to monitor and control such exposures.

(l) **Taxation Matters**

The Committee will review with senior management the status of taxation matters of the Partnership.

(m) **Employees of the Auditor**

The Committee will review and approve policies for the hiring by the General Partner of any partners and employees and former partners and former employees of the present or former auditor.

(n) **Evaluation of Financial and Accounting Personnel**

The Committee will have direct responsibility to:

- (i) develop a position description for the Chief Financial Officer, setting out the Chief Financial Officer's authority and responsibilities, and present the same to the Compensation, Governance and Nominating Committee and Board for approval;
- (ii) review and approve the goals and objectives that are relevant to the Chief Financial Officer's compensation and present the same to the Compensation, Governance and Nominating Committee;
- (iii) evaluate the Chief Financial Officer's performance in meeting his or her goals and objectives;
- (iv) review and assess the performance of General Partner's financial and accounting personnel; and

- (v) recommend to the Compensation, Governance and Nominating Committee and Board remedial action where necessary.

(o) **Signing Authority and Approval of Expenses**

The Committee will determine the signing authority of officers and Directors in connection with the expenditure and release of funds. The Committee will also review the Chief Executive Officer and Chief Financial Officer's expense statements. Director expense statements will be reviewed by the Chief Executive Officer. Where the Chief Executive Officer thinks it advisable, he or she may request that the Committee review Director expense statements.

4. **COMPLAINTS PROCEDURE**

The Committee will administer the Partnership's Whistleblower Policy for the receipt, retention and follow-up of complaints received by the Partnership regarding accounting, internal controls, disclosure controls or auditing matters and any violation of the Partnership's Code of Business Conduct and Ethics and the confidential, anonymous submission of concerns by employees of the General Partner or Terrawinds regarding such matters.

5. **REPORTING**

The Committee will regularly report to the Board on:

- (i) the auditor's independence, engagement and fees;
- (ii) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;
- (iii) the adequacy of the General Partner's internal controls and disclosure controls;
- (iv) the General Partner's risk management procedures;
- (v) its recommendations regarding the annual and interim financial statements of the Partnership, including any issues with respect to the quality or integrity of the financial statements;
- (vi) its review of the annual and interim management's discussion and analysis;
- (vii) any complaints made under and the effectiveness of the Partnership's Whistleblower Policy;
- (viii) the Partnership's compliance with legal and regulatory requirements related to financial reporting; and
- (ix) all other significant matters it has addressed or reviewed and with respect to such other matters that are within its responsibilities, together with any associated recommendations.

6. **AUDIT COMMITTEE MEETINGS**

(a) **Scheduling**

The Committee will meet as often as it determines is necessary to fulfill its responsibilities, which in any event will be not less than quarterly. A meeting of the Committee may be called by the auditor, the Chairman of the Committee, the Chairman, the Chief Executive Officer, the Chief Financial Officer or any Committee member.

Meetings will be held at a location in Canada determined by the Chairman of the Committee and notice shall be given in accordance with the provisions of the Partnership's LP Agreement.

(b) **Notice to Auditor**

The auditor is entitled to receive notice of every meeting of the Committee and, at the expense of the Partnership, to attend and be heard thereat and, if so requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditor.

(c) **Agenda**

The Chairman of the Committee will establish the agenda for each meeting. Any member may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any meeting raise subjects that are not on the agenda for the meeting.

(d) **Distribution of Information**

The Chairman of the Committee will distribute, or cause the officers of the General Partner to distribute, an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.

(e) **Attendance and Participation**

Each member is expected to attend all meetings. A member who is unable to attend a meeting in person may participate by telephone or teleconference.

(f) **Quorum**

Two members will constitute a quorum for any meeting of the Committee.

(g) **Voting and Approval**

At meetings of the Committee, each member will be entitled to one vote and questions will be decided by a majority of votes. In case of an equality of votes, the Chairman of the Committee will not have a second or casting vote in addition to his or her original vote.

(h) **Procedures**

Procedures for Committee meetings will be determined by the Chairman of the Committee or a resolution of the Committee or the Board.

(i) **Transaction of Business**

The powers of the Committee may be exercised at a meeting where a quorum is present in person or by telephone or other electronic means, or by resolution in writing signed by all members entitled to vote on that resolution at a meeting of the Committee.

(j) **Absence of Chairman of the Committee**

In the absence of the Chairman of the Committee at a meeting of the Committee, the members in attendance must select one of them to act as chairman of that meeting.

(k) **Secretary**

The Committee may appoint one of its members or any other person to act as secretary.

(l) **Minutes of Meetings**

A person designated by the Chairman of the Committee at each meeting will keep minutes of the proceedings of the Committee and the Chairman will cause an officer of the General Partner to circulate copies of the minutes to each member on a timely basis.

7. **CHAIR**

Each year, the Board will appoint one member who is qualified for such purpose to be Chairman of the Committee. If, in any year, the Board does not appoint a Chairman of the Committee, the incumbent Chairman of the Committee will continue in office until a successor is appointed.

8. **REMOVAL AND VACANCIES**

Any member may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to meet the qualifications set out above. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board. If a vacancy exists on the Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

9. **ASSESSMENT**

At least annually, the Compensation, Governance and Nominating Committee will review the effectiveness of the Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the mandate adopted by the Board.

10. **REVIEW AND DISCLOSURE**

The Committee will review this Charter at least annually and submit it to the Compensation, Governance and Nominating Committee together with any proposed amendments. The Compensation, Governance and Nominating Committee will review the Charter and submit it to the Board for approval with such further proposed amendments as it deems necessary and appropriate.

11. **ACCESS TO OUTSIDE ADVISORS AND RECORDS**

The Committee may retain independent counsel and any outside advisor at the expense of the Partnership at any time and has the authority to determine any such advisors' fees and other retention terms.

The Committee, and any outside advisors retained by it, will have access to all records and information relating to the Partnership and the General Partner and all their respective officers, employees and agents which it deems relevant to the performance of its duties.