

MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2011 and 2010

The following management discussion and analysis ("MD&A") is provided by management of SWEF Terrawinds Resources Corp. (the "Company") and should be read in conjunction with the unaudited financial statements of the Company for the three month period ended March 31, 2011, together with the related notes contained therein. The Company'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 Company's website at www.sweflp.com. This MD&A should also be read in conjunction with the previous public filings of SWEF LP (the "Partnership") a previous Canadian reporting issuer, as more fully described under "Significant Events" below.

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 Company based on assumptions management considered reasonable at the time it was prepared as of June 27, 2011. 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 Company 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 Company 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 Company.

Significant Events

Extension of Tax Indemnity Agent Payment Agreement

On January 4, 2008, the Company entered into a tax indemnity payment agent agreement with a tax indemnity agent (the "Agent") whereby the \$24.5 million tax indemnity fund was paid to the Agent to be held in trust for the Company. The tax indemnity payment agreement had an original term of 30 months from closing that was to expire on June 30, 2010. The Board of Directors has extended the tax indemnity payment agreement to July 31, 2012. The agreement is extendible further at the option of the Board of Directors.

Description of Business, Capital Reorganizations and Change in Reporting Issuer

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., now known as Interwind Corp. ("Interwind").

On December 23, 2005, the Company issued 9,716,450 common and 59,364,807 flow-through shares to the Partnership. On the same date, Interwind Corp.'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 (the "CRCE 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 Interwind (the "Transaction"). The Partnership purchased the 71,900,901 Class A preference shares of the Company from Interwind. The Company has ceased to carry on the development of the Facility. The Company is in the process of winding up its affairs.

On January 4, 2008, the Company entered into a tax indemnity payment agent agreement with a tax indemnity agent (the "Agent") whereby \$24.5 million of the total gross proceeds of the sale of the Facility to Interwind was paid to the Agent to be held in trust for SWEF Terrawinds. These funds will be used to indemnify shareholders 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 shareholders expected to receive for their 2005 taxation year. Any trust balance not required to indemnify shareholders will be returned to the Company. The tax indemnity payment agreement has been extended to July 31, 2012. The agreement is extendable further at the option of the Board of Directors.

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 share of the Company's common shares resulting in 7,724,084 non-voting, redeemable common shares outstanding.

Effective December 18, 2008, the Partnership re-purchased and cancelled all of its outstanding limited partnership units in exchange for the 7,724,084 issued and outstanding non-voting, redeemable 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 which now represent 100% of the voting interests in the Company.

Effective December 18, 2008, the Company changed its name from Terrawinds Resources Corp. to SWEF Terrawinds Resources Corp. The Company is now a reporting issuer in all provinces in Canada, and the Partnership has ceased to be a reporting issuer in all provinces in Canada.

The general partner of the Partnership is SWEF GP Inc. (the "General Partner") which, as at December 31, 2007, was a wholly-owned subsidiary of Interwind. The General Partner has a 0.01% beneficial interest in the Partnership. The General Partner was previously known as SkyPower 1 GP Inc., however, on January 7, 2008 the General Partner's name was changed to SWEF GP Inc. 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 Transaction.

The Partnership held all of the Class A preference shares of the Company until December 18, 2009. On December 18, 2009, the General Partner purchased 10 Class A preference shares of the Company from the Partnership for \$1. The Company then purchased all remaining interests in the Partnership for \$101. The Partnership was dissolved and all assets of the Partnership

were conveyed to the Company. The remaining 71,900,891 Class A preference shares of the Company were cancelled. This transaction had no material impact on the financial statements, as the Partnership held nominal assets. The General Partner held the remaining 10 Class A preference shares of the Company, representing 100% of the voting interest in the Company, until May 31, 2010. On May 31, 2010, the General Partner transferred 5 of the 10 remaining Class A preference shares of the Company to a director of the Company, for administrative reasons.

Update on Interwind Corp.

In connection with the Transaction, certain liabilities, though assigned in substance and principle by the agreements to Interwind, are not legally assignable in form, and therefore the Company may be required to make payments in the future if Interwind fails to honour its obligations. On August 12, 2009, Interwind filed for restructuring under the terms of the Companies' Creditors Arrangement Act ("CCAA") and is now being wound up under court supervision. On July 6, 2010, the Company, the General Partner and Interwind entered into an agreement that released Interwind from any further liability to honour any potential obligations arising from the assignment of certain liabilities.

To date, two claims have arisen from which creditors sought payment from the Company as a result of Interwind's financial difficulties. Both claims have been settled. The maximum potential amount and likelihood of any additional future payments with respect to new, unforeseen claims that the Company could be required to make under these indemnification provisions is not reasonably quantifiable or determinable. Based on information most currently available to the Company, management believes no other claims are likely.

CRCE Phase Deductions

As a result of the Company being unable to complete the CRCE Phase by December 31, 2006, the Company 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 the Company continued to work to complete the CRCE Phase of the Project in 2007.

The Company did not incur sufficient CEE in 2007. As a result, CRA and Revenue Québec (if applicable) are expected to prepare a reassessment of each shareholder's 2005 taxation year. Shareholders 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 shareholder's share of the amount of CEE that the Company failed to incur before the end of 2007.

As a result of the Transaction, the Company placed in trust approximately \$24.5 million of proceeds to indemnify the shareholders against reassessments by CRA and/or Revenue Québec. The process of distributing the \$24.5 million held in trust commenced in the fourth quarter of fiscal 2008 as the relevant taxation authorities began providing individual reassessments for the 2005 tax year allowing shareholders to make their tax indemnity claims.

Selected Financial and Quarterly Information

The following is a summary of unaudited quarterly information regarding operations for the last five consecutive quarters (all figures in Canadian dollars). The adoption of International Financial Reporting Standards ("IFRS") had no impact on the selected financial and quarterly financial information previously disclosed.

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Revenues	\$ 7,829	\$ 9,129	\$ 12,561	\$ 20,202	\$ 23,018
Net Loss before Income Taxes	\$ (1,668,811)	\$ (4,160,937)	\$ (1,610,659)	\$ (1,916,669)	\$ (472,002)
Deferred Tax Recovery	\$ (365,927)	\$ (898,225)	\$ (342,819)	\$ (517,408)	\$ (105,024)
Net Loss	\$ (1,302,884)	\$ (3,262,712)	\$ (1,267,840)	\$ (1,399,261)	\$ (366,978)
Net Income (Loss) per share	\$ (0.17)	\$ (0.42)	\$ (0.16)	\$ (0.18)	\$ (0.05)

The following is a summary of information regarding balance sheet items for the last two consecutive balance sheet reporting dates.

	March 31, 2011	December 31, 2010
Total Assets	\$ 12,253,553	\$ 12,735,423

Additional Financial Information

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

	March 31, 2011	March 31, 2010
Professional fees	\$ 91,328	\$ 87,533
Insurance	\$ 13,439	\$ 14,647
Directors' fees	\$ 32,488	\$ 30,188
Other items	\$ 18,503	\$ 16,906
Total	\$ 155,758	\$ 149,274

Results of Operations

Net loss for the three month period ended March 31, 2011 was \$0.4 million compared to a net loss of \$1.3 million for the same period in fiscal 2010. The decrease in net loss of \$0.9 million is due primarily to a decrease of in tax indemnity payments and related deferred tax recovery when comparing the three months ended March 31, 2011 to the same period ended March 31, 2010.

Interest income for the three month period ended March 31, 2011 was insignificant, which compares to an insignificant amount for the same period in fiscal 2010.

Professional fees and other expenses for the three month period ended March 31, 2011 were \$0.2 million compared to \$0.1 million for the same period in fiscal 2010. The increase of \$0.1 million is attributable to higher professional fees attributable to the company's efforts in transitioning to the International Financial Reporting Standards.

Deferred income tax recovery for the three month period ended March 31, 2011 was \$0.1 million, compared to a recovery of \$0.4 million for the same period in fiscal 2010. The deferred income tax recovery for the three month period ended March 31, 2011 arises due to the tax indemnity claims made in the period. The recovery decreased by \$0.3 million due to fewer tax indemnity claims made in the first quarter of 2011 when compared to 2010.

Liquidity and Capital Resources

As at March 31, 2011, the Company had cash of \$1.3 million compared to \$1.4 million at December 31, 2010.

As at March 31, 2011 restricted cash and cash equivalents includes the following:

- \$10.9 million held in trust to compensate unit holders for the taxes payable by them as a result of the loss of certain tax deductions.

As at December 31, 2010 restricted cash and cash equivalents includes the following:

- \$11.2 million held in trust to compensate unit holders for the taxes payable by them as a result of the loss of certain tax deductions.

As at March 31, 2011, approximately 87% of the cash and restricted cash and cash equivalents held by the Company (including 89% of the tax indemnity fund) was invested in Government of Canada Treasury Bills. The balance of the Company's cash and restricted cash was held in two of Canada's major Chartered Banks.

Cash outflows from operating activities for the three month period ended March 31, 2011 were \$0.4 million, and include net loss from operations of \$0.4 million. Cash outflows from operating activities for the three month period ended March 31, 2010 were \$1.6 million, and included net loss from operations of \$1.3 million, a loss from non-cash items of \$0.4 million and net inflows related to changes in non-cash working capital items of \$0.04 million.

Related Party Transactions

Other expenses include rent of \$10,170 (2010 - \$9,450) paid to a company controlled by one of the directors of the Company. The transactions are recorded at the exchange amount. Other expenses include directors' fees of \$32,488 for the three month period ended March 31, 2011 (2010 - \$30,188) related to key management personnel of the Company.

Outstanding Share Capital Data

The Company has authorized an unlimited number of non-voting, redeemable common shares and an unlimited number of Class A preference shares. As at March 31, 2011 and June 27, 2011, there are 7,724,084 non-voting, redeemable common shares outstanding and 10 Class A preference shares outstanding.

Commitments and Contingencies

In connection with the Transaction, potential future exposures, though assigned in substance and principle by the agreements to Interwind, are not legally assignable in form, and therefore the Company may be required to make payments in the future if Interwind fails to honour its obligations. On August 12, 2009 Interwind filed for restructuring under the terms of the Companies' Creditors Arrangement Act ("CCAA") and is now being wound up under court supervision. As part of a settlement that included Interwind, the Company released Interwind from any further liability to honour any potential obligations arising from the assignment of certain liabilities.

To date, two claims have arisen from which creditors sought payment from the Company as a result of Interwind's financial difficulties. Both claims have been settled. Based on information most currently available to the Company, management believes no other claims are likely.

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, management believes the maximum amount payable will not exceed the amount currently held in the tax indemnity fund.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at March 31, 2011.

Critical Accounting Policies

International Financial Reporting Standards (“IFRS”)

On January 1, 2011 the Company adopted IFRS for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the three-month period ending March 31, 2011, including required comparative information have been prepared in accordance with IFRS1, First-time adoption of IFRS, and with IAS34, Interim Financial Reporting as issued by the International Accounting Standards Board. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”).

As anticipated by the Board, the conversion to IFRS did not result in material changes to the Company’s financial statements due to the simplicity of the Company’s ongoing activities. The Company will continue to monitor the development and implementation of IFRS in Canada and analyze their impact on the financial statements of the Company.

For further discussion on the Company’s adopted policies under IFRS, please refer to Note 3 to the interim financial statements. In addition, Note 14 to the interim financial statements presents reconciliations between the Company’s 2010 previous Canadian GAAP results and the 2010 IFRS results.

Outlook

- The Board expects that the tax indemnity period will extend to July 2012.
- On March 10, 2008, April 29, 2008, August 29, 2008, November 13, 2008, March 26, 2009 and July 24, 2009 management provided instructions to shareholders regarding the process for submitting tax indemnity claims and the status of the claims process. Distributions of the \$24.5 million held in trust by the Agent commenced during the first quarter of fiscal 2009 as the relevant taxation authorities began providing individual reassessments for the 2005 tax year allowing shareholders to make their tax indemnity claims. Further information is available at www.sweflp.com and www.terida.com/paymentagent.
- The Company will be wound up once the tax indemnity claims process has been completed. It is anticipated that this will take more than a year to complete.
- Any portion of the cash held by the Company which is not required to fund obligations of the Company will ultimately be distributed to shareholders.
- Shareholders are encouraged to regularly visit www.sweflp.com to obtain up-to-date information on the status of SWEF Terrawinds Resources Corp. 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”.

Risks and Uncertainties

Future Liabilities

As a result of the Transaction, most liabilities of the Company existing prior to closing were assumed by Interwind. Interwind has been undergoing a court supervised restructuring since August 12, 2009. The Company negotiated a settlement with Interwind which, among other things, released Interwind from any further obligations to the Company. Accordingly, should any further obligations arise which were to have been assumed by Interwind, the Company may be required to fulfill them. Based on the information most currently available to the Company, management believes no other claims are likely.

Reliance on Interwind

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