

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

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 audited financial statements of the Company for the year ended December 31, 2010, 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 April 28, 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. Management does not know when the Notices of Reassessment will be issued by CRA. Shareholders who are residents of the Province of Québec will also receive a Notice of Reassessment from Revenue Québec. Based on discussions with Revenue Québec,

management understands that reassessments of shareholders for Québec income tax purposes has commenced.

Selected Financial and Quarterly Information

The following is a summary of unaudited quarterly information regarding operations for the last eight consecutive quarters

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Total
Revenues	\$ 7,829	\$ 9,129	\$ 12,561	\$ 20,202	\$ 49,721
Net Loss before Income Taxes	\$ (1,668,811)	\$ (4,160,937)	\$ (1,610,659)	\$ (1,916,669)	\$ (9,357,076)
Future Income Tax Recovery	\$ (365,927)	\$ (898,225)	\$ (342,819)	\$ (517,408)	\$ (2,124,379)
Net Loss	\$ (1,302,884)	\$ (3,262,712)	\$ (1,267,840)	\$ (1,399,261)	\$ (7,232,697)
Net Income (Loss) per share	\$ (0.17)	\$ (0.42)	\$ (0.16)	\$ (0.18)	\$ (0.94)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Total
Revenues	\$ 63,091	\$ 10,613	\$ 5,404	\$ 6,381	\$ 85,489
Net Loss before Income Taxes	\$ (335,513)	\$ (1,271,784)	\$ (2,554,833)	\$ (1,087,986)	\$ (5,250,116)
Future Income Tax Recovery	\$ (88,092)	\$ (292,349)	\$ (708,164)	\$ (579,065)	\$ (1,667,670)
Net Loss	\$ (247,421)	\$ (979,435)	\$ (1,846,669)	\$ (348,642)	\$ (3,422,167)
Net Income (Loss) per share	\$ (0.03)	\$ (0.13)	\$ (0.24)	\$ (0.05)	\$ (0.44)

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

	December 31, 2010	December 31, 2009
Total Assets	\$ 12,735,423	\$ 22,444,872

Additional Financial Information

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

	December 31, 2010	December 31, 2009
Professional fees	\$ 423,301	\$ 496,336
Insurance	\$ 58,589	\$ 60,776
Director's fees	\$ 125,350	\$ 120,750
Other	\$ (115,302)	\$ 255,020
Total	\$ 491,938	\$ 932,882

Results of Operations

Net loss for the year ended December 31, 2010 was \$7.2 million compared to a net loss of \$3.4 million for the same period in fiscal 2009. The decrease in net loss of \$3.8 million is due primarily to \$8.9 million of tax indemnity payment expenses that occurred in 2010 compared to \$4.4 million in 2009. The effect of this increase is partially offset by an increase in future income taxes recoverable and lower administrative expenses for the Company as its operations reduce in size.

Interest income for the year ended December 31, 2010 was \$0.05 million compared to \$0.1 million for the same period in fiscal 2009. The decrease of \$0.05 million is due to persistent low interest rates through much of 2010 and less cash on hand to invest during fiscal 2010 compared to the same period in fiscal 2009.

Administrative costs for the year ended December 31, 2010 were \$0.5 million compared to \$0.9 million for the same period in fiscal 2009. The decrease of \$0.4 million is attributable to higher professional fees, director fees, and an accrual for a claim related to the Interwind restructuring in 2009.

Future income tax recovery for the year ended December 31, 2010 was \$2.1 million, compared to a recovery of \$1.7 million for the same period in fiscal 2009. The future income tax recovery for the year ended December 31, 2010 arises due to the tax indemnity claims made in the period. The recovery position in 2010 increased by \$0.4 million due to the higher number of claims made in 2010 when compared to 2009.

Liquidity and Capital Resources

As at December 31, 2010, the Company had cash of \$1.4 million compared to \$2.0 million at December 31, 2009.

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 December 31, 2009 restricted cash and cash equivalents includes the following:

- \$20.2 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 December 31, 2010, approximately 83% of the cash and restricted cash and cash equivalents held by the Company (including 87% 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 year ended December 31, 2010 were \$9.5 million, and include net loss from operations of \$7.2 million, a loss from non-cash items of \$2.1 million and net outflows related to changes in non-cash working capital items of \$0.2 million. Cash outflows from operating activities for the year ended December 31, 2009 were \$5.2 million, and included net loss from operations of \$3.4 million, a loss from non-cash items of \$1.7 million and net outflows related to changes in non-cash working capital items of \$0.1 million.

There were no cash flows from financing activities during the year ended December 31, 2010. There were no cash flows from financing activities during the year ended December 31, 2009.

Cash inflows from investing activities for the year ended December 31, 2010 were \$8.9 million representing the transfer of amounts required to satisfy tax indemnity claims into unrestricted cash. Cash inflows from investing activities for the year ended December 31, 2009 were \$4.3 million representing the transfer of amounts similar to activity in 2010.

Related Party Transactions

Administrative costs include rent of \$0.04 million (2009 - \$0.03 million) paid to a company controlled by one of the directors of the Company. The transactions are recorded at the exchange amount.

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 December 31, 2010 and April 28, 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 December 31, 2010.

Critical Accounting Policies

Financial Instruments

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.

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace Canadian GAAP 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. As the Company now expects that it will not be wound up prior to the implementation of IFRS, it has instructed its advisors to prepare an assessment of the changes required to be made to its accounting reporting to implement IFRS. It is the Board's high level assessment that the conversion to IFRS will not result in any material changes to the Company's financial statements due to the simplicity of the Company's ongoing activities. However, the Company has not yet determined the actual impact of the transition to IFRS.

Outlook

- The Board now 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 have begun 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.

Corporate Governance

The Board of Directors of the Company (the "Board") is responsible for supervising the limited activities and affairs of the Company, which activities include management and administration of the Company. Arrangements have been made under a number of charters and policies for the governance of the Company and the administration of the affairs of the Company. The governance practices of the Company in relation to the disclosure requirements of NI 58-101F2, taking into account the particular structure of the Company, are set out below.

Governance Disclosure Guideline under NI 58-101	Comments
1. Board of Directors (a) Disclose the identity of directors who are independent	The Board has determined that both directors are "independent", within the meaning of NI 58-101.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	The Board has determined that both directors are "independent", within the meaning of NI 58-101.
2. Directorship 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.	The following directors currently serve on the board of the reporting issuers (or equivalent) listed below. W. Judson Martin Sino-Forest Corporation
3. Orientation and Continuing Education 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.	None

<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 Company (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>None as the Company is in the process of winding up its affairs.</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 Board.</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>	

Compensation Disclosure and Analysis

Since the sale of the assets of the Company to Interwind in December 2007, the Company has not had any named executive officers or employees. It engages professional services firms to provide the services required such as accounting, legal, tax and communications. It has also engaged a firm to provide services as the tax indemnity payment agent.

Mr. Judson Martin and Mr. Gary Solway serve as directors of the Company and of the General Partner of the Partnership. Mr. Martin fulfills the duties of the chief executive officer and chief financial officer to the extent necessary to comply with the Company's continuous reporting obligations without any specific compensation for doing so. The Company paid \$103,550 as compensation for Mr. Martin's services in acting as a director, Board Chair and Chair of the Audit Committee in 2010. The Company paid \$21,800 for Mr. Solway's services in acting as a director and a member of the Audit Committee. The Company also reimbursed Messrs. Martin and Solway for their expenses incurred in connection with serving as directors, entered into indemnification agreements with each of them and provided them with the benefit of the Company's directors' and officers' insurance. The directors do not receive any other direct compensation or benefits from the Company, the Partnership or the General Partner of the

Partnership. Mr. Solway is a partner with Bennett Jones LLP which is counsel to the Company and has been paid fees for its services to the Company. Mr. Solway is serving as a director at the request of Mr. Martin.

The Board (Messrs. Martin and Solway) reviews director compensation at least annually. The current compensation level was determined by the Board in early 2008 prior to determining the time commitment that would be required to fulfill the role in the wind down phase of the Company. The time commitment required of Mr. Martin to deal with the Tax Indemnity Fund, CRA and investors questions in 2009 and 2010 has greatly exceeded the time commitment initially contemplated. The director compensation for fiscal 2011 has not yet been reviewed. The Board may choose to increase Mr. Martin's compensation to more closely align with his contribution to the Company.

AUDIT COMMITTEE

Audit Committee's Charter

The charter (the "Charter") of 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 the Company), 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 \$75,900 and \$67,000 during the fiscal years ended December 31, 2010 and 2009 respectively, for audit fees.

Audit-Related Fees – We did not pay any audit-related fees during the fiscal years ended December 31, 2010 and 2009 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 – We did not pay any tax fees during the fiscal years ended December 31, 2010 and 2009 for services related to tax compliance, tax advice and tax planning.

All Other Fees – We did not pay any other fees to our external auditors during the fiscal years ended December 31, 2010 and 2009 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 TERRAWINDS RESOURCES CORP.
(THE "CORPORATION")
AUDIT COMMITTEE CHARTER

1. RESPONSIBILITY

The Audit Committee (the "Committee") is responsible for assisting the board of directors of the Corporation (the "Board") in fulfilling its responsibilities in relation to:

- (i) the integrity of the Corporation's consolidated financial statements;
- (ii) the Corporation's compliance with legal and regulatory requirements related to financial reporting;
- (iii) the qualifications, independence and performance of the Corporation'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 Corporation and development of appropriate procedures to monitor and mitigate such risks; and
- (vi) any additional matters delegated to the Committee by the Board.

2. MEMBERS

The members of the Committee will be selected by the Board. To the extent required by Multilateral Instrument 52-110 - Audit Committees, each member of the Committee will be both "independent" and "financially literate" within the meaning of that Instrument.

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 Corporation'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 Corporation's shareholders and make recommendations with respect to the auditor's compensation;
- (ii) review and approve the auditor's engagement letter;
- (iii) resolve any disagreements between accounting personnel 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 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 accounting personnel 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 Corporation;
- (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 Corporation; 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 Corporation, the size, complexity and financial condition of the Corporation and its subsidiaries and the extent of support to be provided to the auditor by the Corporation.

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

The Committee will review and discuss with accounting personnel 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 accounting personnel 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 press releases disclosing financial information. The Committee will also review the use of non-GAAP information in such press releases and financial information;
- (ii) all other financial statements of the Corporation 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 Corporation's financial statements; and
- (iv) disclosures made to the Committee during the certification process for applicable securities law filings by the Corporation about any significant deficiencies and material weaknesses in the design or operation of the Corporation's internal controls over financial reporting which are reasonably likely to adversely affect the Corporation'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 Corporation's internal control over financial reporting.

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

The Committee will review periodically with accounting personnel the adequacy of the internal controls and procedures that have been adopted by the Corporation 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 accounting personnel the controls and procedures that have been adopted by the Corporation to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law is disclosed.

(j) **Legal Compliance**

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

(k) **Risk Management**

The Committee will oversee the Corporation's risk management function on a quarterly basis.

(l) **Taxation Matters**

The Committee will review with tax personnel the status of taxation matters of the Corporation.

(m) **Employees of the Auditor**

The Committee will review and approve the hiring by the Corporation 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 review and assess the performance of the Corporation's financial and accounting personnel.

(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. Director expense statements will be reviewed by the Chairman of the Committee.

4. 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 Corporation's internal controls and disclosure controls;
- (iv) the Corporation's risk management procedures;
- (v) its recommendations regarding the annual and interim financial statements of the Corporation, 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) the Corporation's compliance with legal and regulatory requirements related to financial reporting; and
- (viii) 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.

5. 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 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 Corporation's by-laws.

(b) **Notice to Auditor**

The auditor is entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, 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 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**

One member 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 Chairman of the Committee may appoint one of the Committee 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 the Secretary of each meeting to circulate copies of the minutes to each member on a timely basis.

6. 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.

7. REMOVAL AND VACANCIES

Any member may be removed and replaced at any time by the Board. 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.

8. REVIEW AND DISCLOSURE

The Board will review this Charter at least annually.

9. ACCESS TO OUTSIDE ADVISORS AND RECORDS

The Committee may retain independent counsel and any outside advisor at the expense of the Corporation 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 Corporation and all its

officers, employees and agents which it deems relevant to the performance of its duties.