

Sky Harvest Windpower Corp.  
Form 10-Q  
October 19, 2010

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 31, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-52410

**SKY HARVEST WINDPOWER CORP.**

(Exact name of registrant as specified in its charter)

|   |                                      |
|---|--------------------------------------|
| <u>Nevada</u>   | <u>N/A</u>                           |
| State or other jurisdiction of incorporation or organization            | (I.R.S. Employer Identification No.) |
| <u>890 West Pender Street, Suite 710, Vancouver, BC, Canada V6C 1J9</u> |                                      |
| (Address of principal executive offices) (Zip Code)                     |                                      |

**(604) 267-3045**

Registrant's telephone number, including area code

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

29,732,016 shares of common stock are issued and outstanding as of October 13, 2010 (including 15,515,016 shares of common stock reserved for issuance in exchange for certain outstanding exchangeable securities of the registrant).

## INDEX

| <b>PART I FINANCIAL INFORMATION</b>  | Page       |
|--|------------|
| <u>Item 1. Financial Statements (unaudited)</u>  | <u>4</u>   |
| <u>CONSOLIDATED BALANCE SHEETS as of August 31, 2010 and May 31, 2010</u>  | <u>F-1</u> |
| <u>CONSOLIDATED STATEMENTS OF OPERATIONS for the Three Months Ended August 31, 2010 and 2009, and for the period since inception</u> | <u>F-2</u> |
| <u>CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY for the period since inception</u>  | <u>F-3</u> |
| <u>CONSOLIDATED STATEMENTS OF CASH FLOWS for the Three Months Ended August 31, 2010 and 2009, and for the period since inception</u> | <u>F-7</u> |
| <u>NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS</u>  | <u>F-8</u> |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                                 | <u>5</u>   |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>  | <u>13</u>  |
| <u>Item 4. Controls and Procedures</u>   | <u>13</u>  |
| <b>PART II OTHER INFORMATION</b>   |            |
| <u>Item 1. Legal Proceedings</u>   | <u>14</u>  |
| <u>Item 1A. Risk Factors</u>   | <u>14</u>  |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>   | <u>14</u>  |
| <u>Item 3. Defaults Upon Senior Securities.</u>  | <u>14</u>  |
| <u>Item 4. (Removed and reserved)</u>  | <u>14</u>  |
| <u>Item 5. Other Information.</u>  | <u>14</u>  |
| <u>Item 6. Exhibits</u>  | <u>15</u>  |
| <u>SIGNATURES</u>  | <u>17</u>  |

**PART I FINANCIAL INFORMATION**

Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)

August 31, 2010

Consolidated Balance Sheets as of August 31, 2010 and May 31, 2010 F 1

Consolidated Statements of Operations for the three months ended August 31, 2010 and 2009, and for the period since inception F 2

Consolidated Statement of Stockholders' Equity for the three months ended August 31, 2010 and the period since inception F 3

Consolidated Statements of Cash Flows for the three months ended August 31, 2010 and 2009, and for the period since inception F 7

Notes to the Unaudited Interim Consolidated Financial Statements F 8

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Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Consolidated Balance Sheets  
(Expressed in US Dollars)  
(unaudited)

|   | August 31,<br>2010<br>\$ | May 31,<br>2010<br>\$ |
|---|--------------------------|-----------------------|
| <b>ASSETS</b>   |                          |                       |
| <b>Current Assets</b>   |                          |                       |
| Cash and cash equivalents   | 25                       | 234                   |
| Short term investment (Note 6)  | 22,400                   | 22,871                |
| Receivable  | 23,982                   | 20,112                |
| Prepaid expenses  | 8,274                    | 21,585                |
| Due from related party  |                          | 10,541                |
| <b>Total Current Assets</b>   | <b>54,681</b>            | <b>75,343</b>         |
| Property and equipment, net (Note 4)  | 68,314                   | 70,961                |
| Intangible asset (Note 5)   | 2,551,440                | 2,551,440             |
| <b>Total Assets</b>   | <b>2,674,435</b>         | <b>2,697,744</b>      |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                    |                          |                       |
| <b>Liabilities</b>  |                          |                       |
| Accounts payable  | 129,090                  | 97,612                |
| Accrued liabilities   | 2,711                    | 554                   |
| Due to related party  | 23,694                   |                       |
| Notes payable   | 27,713                   |                       |
| <b>Total Liabilities</b>  | <b>183,208</b>           | <b>98,166</b>         |
| <b>Stockholders Equity</b>  |                          |                       |
| <b>Preferred Stock:</b>   |                          |                       |
| Authorized: 10,000,000 shares, \$0.001 par value                              |                          |                       |
| Issued and outstanding: 1 share (May 31, 2010 1 share)                        |                          |                       |
| <b>Common Stock:</b>  |                          |                       |
| Authorized: 100,000,000 shares, \$0.001 par value                             |                          |                       |
| Issued and outstanding: 29,732,016 shares<br>(May 31, 2010 29,732,016 shares) | 29,732                   | 29,732                |
| Additional paid-in capital  | 5,202,625                | 5,244,616             |
| Common stock subscribed (Note 10)   | 6,750                    | 6,750                 |
| Accumulated other comprehensive loss  | (13,586)                 | (28,257)              |
| Deficit accumulated during the development stage                              | (2,734,294)              | (2,653,263)           |
| <b>Total Stockholders Equity</b>  | <b>2,491,227</b>         | <b>2,599,578</b>      |
| <b>Total Liabilities and Stockholders Equity</b>                              | <b>2,674,435</b>         | <b>2,697,744</b>      |
| Continuing operations (Note 1)  |                          |                       |
| Commitments and contingencies (Note 10)                                       |                          |                       |

(The accompanying notes are an integral part of these consolidated financial statements)

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Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Consolidated Statements of Operations  
(Expressed in US Dollars, except number of shares)  
(unaudited)

|   | Accumulated from<br>February 25, 2005<br>(Date of Inception) to<br>August 31,<br>2010<br>\$ | For the Three<br>Months<br>Ended<br>August 31,<br>2010<br>\$ | For the<br>Three<br>Months<br>Ended<br>August 31,<br>2009<br>\$ |
|---|---|--|---|
| Expenses  |   |  |   |
| Consulting fees                                     | 332,158   | 20,187   | 29,555  |
| Engineering and development                         | 335,472   | 16,058   | 98,978  |
| Management fees (Note 8)                            | 552,766   | 46,330   | 34,439  |
| Professional fees                                   | 301,364   | 2,356  | 67,247  |
| General and administrative                          | 1,078,552   | (19,555)   | 21,899  |
| Acquired development costs                          | 242,501   |  | 242,501   |
| Operating loss                                      | 2,842,813   | 65,376   | 494,619   |
| Other Income  |   |  |   |
| Interest income                                     | (89,387)  | (29)   | (1,665)   |
| Foreign exchange (gain) loss                        | (19,132)  | 15,684   | (14,059)  |
| Net loss  | 2,734,294   | 81,031   | 478,895   |
| Other Comprehensive Loss                            |   |  |   |
| Foreign currency translation adjustments            | 13,586  | (14,671)   | 12,268  |
| Comprehensive loss                                  | 2,747,880   | 66,360   | 491,163   |
| Net loss per common share basic and diluted         |   | (0.00)   | (0.03)  |
| Weighted average number of common stock outstanding |   | 29,732,000   | 17,086,000  |

(The accompanying notes are an integral part of these consolidated financial statements)

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Sky Harvest Windpower Corp.  
 (Formerly Keewatin Windpower Corp.)  
 (A Development Stage Company)  
 Consolidated Statement of Stockholders Equity  
 (Expressed in US Dollars, except number of shares)

|  | Preferred<br>Stock<br># | Amount<br>\$ | Common<br>Shares<br># | Amount<br>\$ | Additional<br>Paid in<br>Capital<br>\$ | Common<br>Stock<br>Subscribed<br>\$ | Deficit<br>Accumulated<br>During the<br>Development<br>Stage<br>\$ | Total<br>\$ |
|--|-------------------------|--------------|-----------------------|--------------|--|-------------------------------------|--|-------------|
| Balance<br>February 25,<br>2005 (Date of<br>Inception)   |                         |              |                       |              |  |                                     |  |             |
| Common stock<br>issued on<br>March 2, 2005<br>to<br>founders for<br>cash at<br>\$0.00167 per<br>share        |                         |              | 6,000,000             | 6,000        | 4,000                                  |                                     |  | 10,000      |
| Common stock<br>issued<br>from March 4,<br>2005 to<br>March 20, 2005<br>for cash<br>at \$0.0033 per<br>share |                         |              | 3,000,000             | 3,000        | 7,000                                  |                                     |  | 10,000      |
| Common stock<br>issued on<br>March 31, 2005<br>for cash<br>at \$0.0167 per<br>share                          |                         |              | 300,000               | 300          | 4,700                                  |                                     |  | 5,000       |
| Common stock<br>issued<br>from April 7,<br>2005 to<br>April 28, 2005<br>for cash<br>at \$0.0167 per<br>share |                         |              | 480,000               | 480          | 7,520                                  |                                     |  | 8,000       |
| Common stock<br>issued<br>from May 1,<br>2005 to   |                         |              | 690,000               | 690          | 10,810                                 |                                     |  | 11,500      |



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|   |            |        |        |          |          |
|---|------------|--------|--------|----------|----------|
| May 25, 2005<br>for cash<br>at \$0.0167 per<br>share                              |            |        |        |          |          |
| Common stock<br>issued on<br>May 29, 2005<br>for cash<br>at \$0.0167 per<br>share | 60,000     | 60     | 9,940  |          | 10,000   |
| Net loss for the<br>period  |            |        |        | (12,321) | (12,321) |
| Balance May, 31<br>2005<br>carried forward  | 10,530,000 | 10,530 | 43,970 | (12,321) | 42,179   |

(The accompanying notes are an integral part of these consolidated financial statements)

Sky Harvest Windpower Corp.  
 (Formerly Keewatin Windpower Corp.)  
 (A Development Stage Company)  
 Consolidated Statement of Stockholders' Equity  
 (Expressed in US Dollars, except number of shares)

|                                       | Preferred<br>Stock<br># | Amount<br>\$ | Common<br>Shares<br># | Amount<br>\$ | Additional<br>Paid in<br>Capital<br>\$ | Common<br>Stock<br>Subscribed<br>\$ | Deficit<br>Accumulated<br>During the<br>Development<br>Stage<br>\$ | Total<br>\$ |
|---------------------------------------|-------------------------|--------------|-----------------------|--------------|--|-------------------------------------|--|-------------|
| Balance May, 31, 2005 brought forward |                         |              | 10,530,000            | 10,530       | 43,970                                 |                                     | (12,321)   | 42,179      |
| Net loss for the year                 |                         |              |                       |              |  |                                     | (57,544)   | (57,544)    |
| Balance May 31, 2006                  |                         |              | 10,530,000            | 10,530       | 43,970                                 |                                     | (69,865)   | (15,365)    |
| Common stock subscribed               |                         |              |                       |              |  | 500,500                             |  | 500,500     |
| Stock-based compensation              |                         |              |                       |              | 365,508                                |                                     |  | 365,508     |
| Net loss for the year                 |                         |              |                       |              |  |                                     | (435,426)  | (435,426)   |
| Balance May 31, 2007 carried forward  |                         |              | 10,530,000            | 10,530       | 409,478                                | 500,500                             | (505,291)  | 415,217     |

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Consolidated Statement of Stockholders Equity  
(Expressed in US Dollars, except number of shares)

|  | Preferred<br>Stock<br># | Amount<br>\$ | Common<br>Shares<br># | Amount<br>\$ | Additional<br>Paid in<br>Capital<br>\$ | Common<br>Stock<br>Subscribed<br>\$ | Deficit<br>Accumulated<br>During the<br>Development<br>Stage<br>\$ | Total<br>\$ |
|--|-------------------------|--------------|-----------------------|--------------|--|-------------------------------------|--|-------------|
| Balance May 31,<br>2007  |                         |              |                       |              |  |                                     |  |             |
| carried forward  |                         |              | 10,530,000            | 10,530       | 409,478                                | 500,500                             | (505,291)  | 415,217     |
| Common stock<br>issued on<br>July 11, 2007<br>for cash<br>at \$0.70 per<br>share |                         |              | 715,000               | 715          | 499,785                                | (500,500)                           |  |             |
| Common stock<br>issued on<br>July 11, 2007<br>for<br>finders fees                |                         |              | 71,500                | 71           | 49,979                                 |                                     |  | 50,050      |
| Common stock<br>issued on<br>July 27, 2007<br>for cash<br>at \$1.20 per<br>share |                         |              | 1,075,000             | 1,075        | 1,288,925                              |                                     |  | 1,290,000   |
| One million<br>share<br>purchase<br>warrants<br>issued for<br>finders fee        |                         |              |                       |              | 321,279                                |                                     |  | 321,279     |
| Finders fees   |                         |              |                       |              | (498,080)                              |                                     |  | (498,080)   |
| Net loss for the<br>year   |                         |              |                       |              |  |                                     | (256,830)  | (256,830)   |
| Balance May 31,<br>2008  |                         |              | 12,391,500            | 12,391       | 2,071,366                              |                                     | (762,121)  | 1,321,636   |
| Common stock<br>subscribed   |                         |              |                       |              |  | 6,750                               |  | 6,750       |
| Net loss for the<br>year   |                         |              |                       |              |  |                                     | (341,733)  | (341,733)   |
| Balance May 31,<br>2009  |                         |              | 12,391,500            | 12,391       | 2,071,366                              | 6,750                               | (1,103,854)  | 986,653     |

(The accompanying notes are an integral part of these consolidated financial statements)

F-5

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Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Consolidated Statement of Stockholders' Equity  
(Expressed in US Dollars, except number of shares)

|   | Preferred<br>Stock<br># | Amount<br>\$ | Common<br>Shares<br># | Amount<br>\$ | Additional<br>Paid in<br>Capital<br>\$ | Common<br>Stock<br>Subscribed<br>\$ | Accumulated<br>Other<br>Comprehensive<br>Loss | Deficit<br>Accumulated<br>During the<br>Development<br>Stage<br>\$ |
|---|-------------------------|--------------|-----------------------|--------------|--|-------------------------------------|---|--|
| Balance May<br>31, 2009<br>carried<br>forward                       |                         |              | 12,391,500            | 12,391       | 2,071,366                              | 6,750                               |   | (1,103,854)  |
| Common stock<br>issued<br>pursuant to<br>business<br>acquisition    |                         |              | 17,340,516            | 17,341       | 2,583,736                              |                                     |   |  |
| Preferred stock<br>issued<br>pursuant to<br>business<br>acquisition | 1                       |              |                       |              |  |                                     |   |  |
| Stock-based<br>compensation   |                         |              |                       |              | 589,514                                |                                     |   |  |
| Accumulated<br>other<br>comprehensive<br>loss                       |                         |              |                       |              |  |                                     | (28,257)                                      |  |
| Net loss for<br>year  |                         |              |                       |              |  |                                     |   | (1,549,409)  |
| Balance May<br>31, 2010   | 1                       |              | 29,732,016            | 29,732       | 5,244,616                              | 6,750                               | (28,257)                                      | (2,653,263)  |
| Stock-based<br>compensation   |                         |              |                       |              | (41,991)                               |                                     |   |  |
| Accumulated<br>other<br>comprehensive<br>loss                       |                         |              |                       |              |  |                                     | 14,671  |  |
| Net loss for the<br>period  |                         |              |                       |              |  |                                     |   | (81,031)   |
| Balance<br>August 31,<br>2010<br>(unaudited)                        | 1                       |              | 29,732,016            | 29,732       | 5,202,625                              | 6,750                               | (13,586)                                      | (2,734,294)  |

(The accompanying notes are an integral part of these consolidated financial statements)

F-6

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Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(Expressed in US Dollars)  
(unaudited)

|   | Accumulated from<br>February 25, 2005<br>(Date of Inception)<br>to August 31,<br>2010<br>\$ | For the Three<br>Months<br>Ended<br>August 31,<br>2010<br>\$ | For the Three<br>Months<br>Ended<br>August 31,<br>2009<br>\$ |
|---|---|--|--|
| Operating activities  |   |  |  |
| Net loss for the period   | (2,734,294)   | (81,031)   | (478,895)  |
| Adjustments to reconcile net loss to net cash used in operating activities: |   |  |  |
| Depreciation  | 20,079  | 1,212  | 1,299  |
| Stock-based compensation  | 917,991   | (41,991)   |  |
| Acquired development costs  | 242,501   |  | 242,501  |
| Changes in operating assets and liabilities:                                |   |  |  |
| Prepaid expenses  | 6,230   | 13,311   | 4,365  |
| Accrued interest  | 684   | 471  | 931  |
| Accounts payable and accrued liabilities                                    | 95,692  | 34,473   | (14,187)   |
| Account receivable  | (23,982)  | (3,870)  |  |
| Note receivable   | (280,000)   |  |  |
| Due to related parties  | 33,050  | 34,235   | 8,633  |
| Net cash flows used in operating activities                                 | (1,722,049)   | (43,190)   | (235,353)  |
| Investing activities  |   |  |  |
| Purchase of equipment   | (23,504)  |  |  |
| Purchase of short term investments  | (2,472,839)   |  |  |
| Redemption of short term investments  | 2,470,644   |  | 175,400  |
| Cash acquired from acquisition  | 21,016  |  | 21,016   |
| Net cash flows (used in) provided by investing activities                   | (4,683)   |  | 196,416  |
| Financing activities  |   |  |  |
| Proceeds from common stock issuances  | 1,718,249   |  |  |
| Proceeds from notes payable   | 27,000  | 27,000   |  |
| Net cash flows provided by financing activities                             | 1,745,249   | 27,000   |  |
| Effect of exchange rate changes on cash                                     | (18,493)  | 15,980   | (8,868)  |
| Increase (decrease) in cash and cash equivalents                            | 24  | (210)  | (47,805)   |
| Cash and cash equivalents beginning of period                               |   | 234  | 36,589   |
| Cash and cash equivalents end of period                                     | 24  | 24   | (11,216)   |
| Supplementary disclosures:  |   |  |  |
| Interest paid   |   |  |  |
| Income taxes paid   |   |  |  |
| Significant non-cash investing and financing activities:                    |   |  |  |
| Stock issuance for acquisition  | 2,601,077   |  | 2,601,077  |
| Increase intangible asset due to acquisition                                | 2,551,400   |  | 2,551,400  |
| Accounts payable increased due to acquisition                               | 30,986  |  | 30,986   |

(The accompanying notes are an integral part of these consolidated financial statements)





Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Notes to the Unaudited Interim Consolidated Financial Statements  
August 31, 2010  
(Expressed in US Dollars)

1. Organization and Description of Business

Sky Harvest Windpower Corp. (the Company) was incorporated in the State of Nevada on February 25, 2005. The Company is a Development Stage Company, as defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 915, *Development Stage Entities*. Its activities to date have been limited to capital formation, organization, and development of its business plan for the exploration and development of wind power projects in Canada.

Effective July 13, 2009, the Company acquired all the outstanding common stock of Sky Harvest Windpower (Saskatchewan) Corp. (Sky Harvest - Saskatchewan), a private company incorporated under the laws of Canada.

On September 1, 2009, the Company completed a merger with its wholly-owned inactive subsidiary, Sky Harvest Windpower Corp., a Nevada corporation, which was incorporated solely to effect a change in the Company's name. As a result, the Company changed its name from Keewatin Windpower Corp. to Sky Harvest Windpower Corp.

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, the successful exploitation of economically recoverable electricity in its wind power projects, and the attainment of profitable operations. As at August 31, 2010, the Company has accumulated losses of \$2,734,294 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management plans to raise additional funds through debt and equity offerings. Management has yet to decide what type of offering the Company will use or how much capital the Company will attempt to raise and on what terms. There is however no assurance that the Company will be able to raise any additional capital through any type of offering on terms acceptable to the Company.

2. Significant Accounting Policies

a. Basis of Accounting

The Company's consolidated financial statements are prepared using the accrual method of accounting. These consolidated statements include the accounts of the Company and its wholly-owned subsidiaries Keewatin Windpower Inc. and Sky Harvest - Saskatchewan. All significant intercompany transactions and balances have been eliminated. The Company has elected a May 31 year-end.

b. Interim Financial Statements

These interim unaudited consolidated financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

c. Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

F-8

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(A Development Stage Company)  
Notes to the Unaudited Interim Consolidated Financial Statements  
August 31, 2010  
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

d. Marketable Securities

The Company defines marketable securities as income yielding securities that can be readily converted into cash. Examples of marketable securities include Treasury and agency obligations, commercial paper, corporate notes and bonds, time deposits with an original maturity greater than 3 months, foreign notes and certificates of deposit. The Company accounts for investments in debt and equity instruments under ASC 320, Investments – Debt and Equity. The Company follows the guidance provided by ASC 320 to assess whether our investments with unrealized loss positions are other than temporarily impaired. Realized gains and losses and declines in value judged to be other than temporary are determined based on the specific identification method and are reported in other income (expense). Management determines the appropriate classification of such securities at the time of purchase and re-evaluates such classification as of each balance sheet date.

e. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

*Fair Value Hierarchy*

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value:

*Level 1*

Level 1 applies to assets and liabilities for which there are quoted prices in active markets for identical assets or liabilities. Valuations are based on quoted prices that are readily and regularly available in an active market and do not entail a significant degree of judgment.

*Level 2*

Level 2 applies to assets and liabilities for which there are other than Level 1 observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data. Level 2

instruments require more management judgment and subjectivity as compared to Level 1 instruments. For instance:

Determining which instruments are most similar to the instrument being priced requires management to identify a sample of similar securities based on the coupon rates, maturity, issuer, credit rating and instrument type, and subjectively select an individual security or multiple securities that are deemed most similar to the security being priced; and

Determining whether a market is considered active requires management judgment.

*Level 3*

Level 3 applies to assets and liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities. The determination of fair value for Level 3 instruments requires the most management judgment and subjectivity.

The Company believes the fair value of its financial instruments consisting of cash, short term investment, accounts payable, and notes payable approximate their carrying values due to the relatively short maturity of these instruments.

Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Notes to the Unaudited Interim Consolidated Financial Statements  
August 31, 2010  
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

f. Equipment

(i) Amortization Methods and Rates

Equipment is carried at cost. Depreciation is computed using a straight-line method over the estimated useful lives of the depreciable property, which range from 3 to 5 years. Management evaluates useful lives regularly in order to determine recoverability taking into consideration current technological conditions. Maintenance and repairs are charged to expenses as incurred; additions and betterments are capitalized. Upon retirement or disposal of any item of equipment, the cost and related accumulated depreciation of the disposed assets is removed, and any resulting gain or loss is credited or charged to operations. Costs included in wind equipment are under construction and will be amortized over their useful life on a straight-line basis once they are put into use.

(ii) Asset Impairment

The Company performs impairment tests on its property and equipment when events or changes in circumstances occur that indicate the carrying value of an asset may not be recoverable. Estimated future cash flows are calculated using estimated future prices and operating and capital costs on an undiscounted basis. When the carrying value of the property and equipment exceeds estimated future cash flows, the asset is impaired. An impairment loss is recorded to the extent the carrying value exceeds the discounted value of the estimated future cash flows.

(iii) Repairs and Maintenance

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of property and equipment.

g. Long Lived Assets

*Intangible assets*

In accordance with ASC 350, *Intangibles – Goodwill and Other*, goodwill is required to be tested for impairment on an annual basis, or more frequently if certain indicators arise, using the guidance specifically provided, and purchased intangible assets other than goodwill are required to be amortized over their useful lives unless their lives are determined to be indefinite.

Management reviews intangible assets at least annually, and on an interim basis when conditions require, evaluates events or changes in circumstances that may indicate impairment in the carrying amount of such assets. An impairment loss is recognized in the statement of operations in the period that the related asset is deemed to be impaired.

In accordance with ASC 360, *Property, Plant and Equipment*, the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life.

Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Notes to the Unaudited Interim Consolidated Financial Statements  
August 31, 2010  
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

h. Income Taxes

Income taxes are provided in accordance with ASC 740, Income Taxes. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

i. Foreign Currency Translation

The functional currency of the Company's Canadian subsidiaries is the applicable local currency. The functional currency is translated into U.S. dollars for balance sheet accounts using current exchange rates in effect as of the balance sheet date and for revenue and expense accounts and cash flow items using a weighted-average exchange rate during the reporting period. Adjustments resulting from translation are included in accumulated comprehensive income (loss), a separate component of shareholders' equity (deficit).

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian dollars. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

j. Basic Earnings (Loss) per Share

The Company computes net income (loss) per share in accordance with ASC 260, Earnings per Share. ASC 260 specifies the computation, presentation and disclosure requirements for earnings (loss) per share for entities with publicly held common stock. Basic net earnings (loss) per share amounts are computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per share are the same as basic earnings (loss) per share due to the lack of dilutive items in the Company.

k. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities

at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods presented. Actual results could differ from those estimates.

Significant estimates made by management are, among others, realizability of long-lived assets, deferred taxes and stock option valuation. Management reviews its estimates on a quarterly basis and, where necessary, makes adjustments prospectively.

1. Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC 718, *Compensation - Stock Based Compensation*, and ASC 505-50, *Equity Based Payments to Non-Employees*, using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.



Sky Harvest Windpower Corp.  
 (Formerly Keewatin Windpower Corp.)  
 (A Development Stage Company)  
 Notes to the Unaudited Interim Consolidated Financial Statements  
 August 31, 2010  
 (Expressed in US Dollars)

2. Significant Accounting Policies (continued)

m. Website Development Costs

The Company capitalizes website development costs in accordance with ASC 350, *Intangibles - Goodwill and Other*, whereby costs related to the preliminary project stage of development are expensed and costs related to the application development stage are capitalized. Any additional costs for upgrades and enhancements which result in additional functionality will be capitalized. Capitalized costs will be amortized based on their estimated useful life over three years. Internal costs related to the development of website content are charged to operations as incurred.

n. Comprehensive Income

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. As at August 31, 2010 and May 31, 2010, the Company's only component of comprehensive income (loss) was foreign currency translation adjustments.

3. Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

4. Property and equipment

|                          | Cost   | Accumulated<br>Depreciation | August 31, 2010<br>Net Carrying<br>Value | May 31, 2010<br>Net Carrying<br>Value |
|--------------------------|--------|-----------------------------|--|---------------------------------------|
|                          | \$     | \$                          | \$                                       | \$                                    |
| Computer equipment       | 5,659  | (4,645)                     | 1,014                                    | 1,141                                 |
| Asset under construction | 63,978 |                             | 63,978                                   | 65,391                                |
| Wind tower equipment     | 22,116 | (18,794)                    | 3,322                                    | 4,429                                 |
|                          | 91,753 | (23,439)                    | 68,314                                   | 70,961                                |

5. Intangible Assets

|                     | Cost  | Accumulated<br>Amortization | August 31, 2010<br>Net Carrying<br>Value | May 31, 2010<br>Net Carrying<br>Value |
|---------------------|-------|-----------------------------|--|---------------------------------------|
|                     | \$    | \$                          | \$                                       | \$                                    |
| Website development | 2,224 | (2,224)                     |  |                                       |

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|                  |           |         |           |           |
|------------------|-----------|---------|-----------|-----------|
| Wind farm assets | 2,551,440 |         | 2,551,440 | 2,551,440 |
|                  | 2,553,664 | (2,224) | 2,551,440 | 2,551,440 |

F-12

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Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Notes to the Unaudited Interim Consolidated Financial Statements  
August 31, 2010  
(Expressed in US Dollars)

6. Short-term Investments

- a) On July 28, 2010, the Company purchased a term deposit in the amount of \$11,020 (CDN \$11,500), bearing floating interest rate of 0.50%, maturing on September 1, 2010. As at August 31, 2010, the Company accrued \$3 (May 31, 2010 - \$2) of interest income.
- b) On October 30, 2009, the Company purchased a term deposit in the amount of \$11,819 (CDN \$12,334), bearing floating interest rate of prime rate less 1.85%, maturing on October 29, 2010. As at August 31, 2010, the Company accrued \$22 (May 31, 2010 - \$30) of interest income.

F-13

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Sky Harvest Windpower Corp.  
 (Formerly Keewatin Windpower Corp.)  
 (A Development Stage Company)  
 Notes to the Unaudited Interim Consolidated Financial Statements  
 August 31, 2010  
 (Expressed in US Dollars)

9. Stock Based Compensation (continued)

On September 11, 2009, pursuant to the Plan, the Company granted 1,000,000 options with immediate vesting to directors, officers, and employees to acquire 1,000,000 common shares at an exercise price of \$0.51 per share exercisable for 5 years and recorded stock-based compensation for the vested options of \$493,939, as general and administrative expense.

On September 11, 2009, pursuant to the Plan, the Company granted 250,000 options to consultants to acquire 250,000 common shares at an exercise price of \$0.51 per share exercisable for 5 years. The options granted vest at the rate of 12.5% every 90 days from the date of grant. The Company recorded stock based compensation of \$95,575, as general and administrative expense.

The fair value for stock options granted was estimated at the date of grant using the Black-Scholes option-pricing model and the weighted average fair value of stock options granted for the three month period ended August 31, 2010 was \$0.40 per share.

The weighted average assumptions used are as follows:

|                                 | Three Months<br>Ended<br>August 31,<br>2010 |
|---------------------------------|---|
| Expected dividend yield         | 0%  |
| Risk-free interest rate         | 2.10%                                       |
| Expected volatility             | 222%  |
| Expected option life (in years) | 4.03  |

The following table summarizes the continuity of the Company's stock options:

|                              | Number of<br>Options | Weighted<br>Average<br>Exercise Price<br>\$ | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term (years) | Aggregate<br>Intrinsic<br>Value<br>\$ |
|------------------------------|----------------------|---|--|---------------------------------------|
| Outstanding: May 31, 2010    | 1,250,000            | 0.51  |  |                                       |
| Granted                      |                      |   |  |                                       |
| Outstanding: August 31, 2010 | 1,250,000            | 0.51  | 4.03   |                                       |
| Exercisable: August 31, 2010 | 1,093,750            | 0.51  | 4.03   |                                       |

F-14

Sky Harvest Windpower Corp.  
(Formerly Keewatin Windpower Corp.)  
(A Development Stage Company)  
Notes to the Unaudited Interim Consolidated Financial Statements  
August 31, 2010  
(Expressed in US Dollars)

#### 9. Stock Based Compensation (continued)

A summary of the status of the Company's non-vested stock options as of August 31, 2010, and changes during the year ended August 31, 2010, is presented below:

| Non-vested options            | Number of<br>options | Weighted Average<br>Grant Date<br>Fair Value<br>\$ |
|-------------------------------|----------------------|--|
| Non-vested at May 31, 2010    | 187,500              | 0.55   |
| Granted                       |                      |  |
| Forfeited/Cancelled           |                      |  |
| Vested                        | (31,250)             | 0.50   |
| Non-vested at August 31, 2010 | 156,250              | 0.01   |

At August 31, 2010, there was \$552 of unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan, which is expected to be recognized over a weighted average period of 1.03 years.

#### 10. Commitments and contingencies

On February 23, 2009, the Company entered into a consulting agreement with a consultant (the "Consultant"). Pursuant to the agreement, the Consultant provided investor relations services for the Company from February 24, 2009 to July 5, 2009. In consideration for the investor relations services, the Company agreed to pay the Consultant \$5,000 per month and to issue 15,000 shares of the Company's common stock. At August 31, 2010, the fair value of the 15,000 shares issuable was \$6,750 and is included in common stock subscribed. In addition, if the Company receives equity or debt funding of at least \$3,000,000 from a source introduced to the Company by the Consultant then the parties agree to extend the agreement by an additional year. In consideration for the additional year of investor relations services, the Company must pay \$8,500 per month and issue 50,000 shares of the Company's common stock or pay \$7,500 per month and issue 80,000 shares of the Company's common stock..

#### 11. Subsequent events

In accordance with ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through the date of issuance of the unaudited interim consolidated financial statements. During this period, the Company did not have any material recognizable subsequent events.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion and analysis should be read together with our Consolidated Financial Statements and the Notes to those statements included elsewhere in this quarterly report on Form 10-Q and the Consolidated Financial Statements and the Notes to those statements included in our Form 10-K for the year ended May 31, 2010. Certain statements contained herein constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. In some cases forward-looking statements can be identified by terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "intends," or similar terms. These statements appear in a number of places in this Form 10-Q and include statements regarding the intent, belief or current expectations of our company, its directors or its officers with respect to, among other things: (i) trends affecting our financial condition or results of operations, (ii) our business and growth strategies and (iii) our financing plans. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.*

*Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.*

*Our consolidated financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles. In this quarterly report, unless otherwise specified, all references to common shares refer to the common shares in our capital stock and the terms we, us and our, the Company and Sky Harvest mean Sky Harvest Windpower Corp., a Nevada Corporation and its subsidiaries.*

### Corporate Overview

We were incorporated in the State of Nevada on February 25, 2005. We are a development stage company in the business of electrical power generation through the use of wind energy. We have not generated any revenue from operations since our incorporation. We do not anticipate earning any revenue until the completion of an environmental assessment on our properties, securing a power purchase agreement and erecting and commissioning wind turbines on our properties, of which there is no guarantee.

### Recent Corporate Developments

Since the commencement of our most recent fiscal quarter on June 1, 2010 we have experienced the following significant corporate development:

#### ***1. Saskatchewan Power Corporation Request for Qualifications***

In October 2009 Saskatchewan Power Corporation (SaskPower), the Crown Corporation responsible for electricity supply in the Canadian province of Saskatchewan announced its Green Options Plan, stating its intention to procure up to 175MW of wind power from independent power producers. A formal Request for Qualifications (RFQ) was issued in December 2009. The RFQ sought to identify qualified bidders with the interest and capability to finance, build and operate a wind generation facility in the Province. The closing date for the RFQ was March 15, 2010. Respondents which qualified will be invited to respond to a formal Request for Proposals in the spring of 2010. SaskPower set certain criteria, for respondents to the RFQ relating to, *inter alia*, the size of the project, control of the proposed site, wind project expertise and financial strength of the proponent.



The Company was unable to meet the financial criteria for the RFQ. The Company therefore negotiated the support of an international wind power developer to act as Joint Venture Developer and Financial Guarantor to the project, and submitted a response to the RFQ.

On July 15, 2010, SaskPower informed the Company that it had not been qualified in the RFQ as the combined balance sheets of the Company and the Project Guarantor technically did not meet the financial requirements set out in the RFQ.

The Company is continuing discussions with the proposed joint venture developer and is examining other strategic options.

## 2. *Resignation of Director and Officer*

On September 1, 2010, the Company appointed William Iny as its President, CEO, CFO, Secretary and Treasurer in place of Chris Craddock, who resigned from these positions on the same date. Mr. Craddock also resigned as a director on September 1, 2010. Mr. Iny also replaced Mr. Craddock as the sole director and officer of the Company's subsidiaries on the same date.

### **Results of Operations**

The following summary of our results of operations should be read in conjunction with our unaudited interim consolidated financial statements for the fiscal quarter ended August 31, 2010 which are included herein.

|                              | 2010<br>\$ | Three months ended August 31, |                           | %       |
|------------------------------|------------|-------------------------------|---------------------------|---------|
|                              |            | 2009<br>\$                    | Increase/(Decrease)<br>\$ |         |
| Revenue                      | 0          | 0                             | 0                         | N/A     |
| Expenses                     | 65,376     | 494,619                       | (429,243)                 | (86.8%) |
| Foreign exchange (gain) loss | 15,684     | (14,059)                      | 29,743                    | N/A     |
| Interest income              | (29)       | (1,665)                       | (1,636)                   | (98.3%) |
| Net Loss                     | 81,031     | 478,895                       | (397,864)                 | (83.1%) |

### **Revenues**

We recorded a net operating loss of \$81,031 for the fiscal quarter ended August 31, 2010 and have an accumulated deficit of \$2,747,880 since inception. We have had no operating revenues since our inception on February 25, 2005 through to the fiscal quarter ended August 31, 2010. We anticipate that we will not generate any revenues while we are a development stage company.



**Expenses**

Our expenses for the three months ended August 31, 2010 and 2009 are outlined below:

|                             | 2010     | Three months ended August 31, |                     |          |
|-----------------------------|----------|-------------------------------|---------------------|----------|
|                             |          | 2009                          | Increase/(Decrease) |          |
|                             | \$       | \$                            | \$                  | %        |
| Consulting fees             | 20,187   | 29,555                        | (9,368)             | (31.7%)  |
| Engineering and development | 16,058   | 98,978                        | (82,920)            | (83.8%)  |
| Management fees             | 46,330   | 34,439                        | 11,891              | 34.5%    |
| Professional fees           | 2,356    | 67,247                        | (64,891)            | (96.5%)  |
| General and administrative  | (19,555) | 21,899                        | (41,454)            | (189.3%) |
| Acquired development costs  | -        | 242,501                       | (242,501)           | (100.0%) |
| Net Loss                    | 65,376   | 494,619                       | (429,243)           | (86.8%)  |

Consulting expenses decreased by \$9,368 to \$20,187 in the three months ended August 31, 2010 from \$29,555 in the three months ended August 31, 2009. This decrease resulted from reduced expenditure on investor relations activities conducted during the period, offset by increased costs resulting from the engagement of a financial consultant in June 2009.

Engineering and development expenses decreased by \$82,920 to \$16,058 in the three months ended August 31, 2010 from \$98,978 in the three months ended August 31, 2009 as a result of reduced development work on our projects pending the announcement of qualified submissions to the Saskpower RFQ

Management fees increased by \$11,891 to \$46,330 for the three months ended August 31, 2010 from \$34,439 for the three months ended August 31, 2009.. This increase resulted from the acquisition of Sky Harvest Saskatchewan ..

Professional fees decreased by \$64,891 to \$2,356 in the three months ended August 31, 2010 from \$67,247 for the three months ended August 31, 2009. The decrease in this category of expenses resulted from reduced requirements for professional services in the three months ended August 31, 2010 as compared with the three months ended August 31, 2009 as the expenses incurred in connection with our acquisition of Say Harvest Saskatchewan and the creation of the 2009 Stock Option plan did not reoccur in the quarter under review.

General and administrative expenses decreased by \$41,454 to a recovery of \$19,555 for the three months ended August 31, 2010 from an expense of \$21,899 for the three months ended August 31, 2009. The decrease in this category of expenses for the three months ended August 31, 2010 resulted chiefly from an adjustment to the fair value of unvested options awarded under the Company s 2009 Stock Option plan.

Acquired development costs amounting to \$242,501 expensed during the three months ended August 31, 2009, represent development costs incurred by Sky Harvest Saskatchewan prior to acquisition by the Company on July 11, 2009.

**Foreign exchange (gain) loss**

Foreign currency transactions are primarily undertaken in Canadian dollars. Foreign exchange gains and losses arise from the translation of transactions in Canadian dollars into US dollars. Foreign currency exchange rates fluctuate, and gains and losses resulting from these fluctuations recognized as they occur. Company has not, to the date of this report, utilized derivative instruments to offset the impact of foreign currency fluctuations

**Interest income**

Interest income declined by \$1,636 to \$29 for the three months ended August 31, 2010 from \$1,665 for the three months ended August 31, 2009. The reduction in interest income resulted from the utilization of the Company's short term investments to fund development of the Company's wind power projects and continued corporate operations.

**Liquidity and Capital Resources**

Our financial condition as at August 31 2010, and May 31, 2010 and the changes for on those dates are summarized as follows:

**Working Capital**

|                     | August 31,<br>2010 | May 31,<br>2010 | Increase/Decrease |       |
|---------------------|--------------------|-----------------|-------------------|-------|
|                     | \$                 | \$              | \$                | %     |
| Current Assets      | 54,681             | 75,343          | (20,662)          | (27%) |
| Current Liabilities | 183,208            | 98,116          | 85,092            | 87%   |
| Working Capital     | (128,527)          | (22,773)        | (105,754)         | N/A   |

The decrease of \$105,754 in our working capital was primarily due to a decrease in prepaid expenses and amounts due to related parties coupled with increases in account payable and accrued liabilities, amounts due to related parties and notes payable.

**Cash Flows**

|  | 2010     | Three months ended August 31,<br>2009 |           |          |
|--|----------|---------------------------------------|-----------|----------|
|  | \$       | \$                                    | \$        | %        |
| Cash Flows (used in)<br>Operating Activities             | (43,190) | (235,353)                             | 192,163   | N/A      |
| Cash Flows provided by (used<br>in) Investing Activities | -        | 196,416                               | (196,416) | (100.0%) |
| Cash Flows provided by<br>Financing Activities           | 27,000   | -                                     | 27,000    | N/A      |
| Effect of exchange rate<br>changes on cash               | 15,980   | (8,868)                               | 24,848    | N/A      |
| Net increase (decrease) in<br>cash during year           | (210)    | (47,805)                              | (47,595)  | N/A      |

During the three months ended August 31, 2010 we used net cash in operating activities in the amount of \$43,190. The cash used in the current period by our operating activities was primarily represented by our operations on our wind power projects, our acquisition of Sky Harvest - Saskatchewan and shareholder communications.

Cash flows provided by investing activities during the three months ended August 31, 2010 represent funds advanced to the Company by a major shareholder.

**Disclosure of Outstanding Share Data***Warrants*

None

*Share options*

On September 11, 2009, we granted stock options to directors, officers and key advisors to acquire up to 1,250,000 shares of common stock exercisable at \$0.51 per share on or before September 11, 2014.

A summary of our stock option activity is as follows:

|                                 | <b>Number of<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price<br/>\$</b> |
|---------------------------------|------------------------------|---|
| Balance, as at May 31, 2010     | -                            | -   |
| Granted                         | 1,250,000                    | 0.51  |
| Cancelled                       | (333,333)                    | 0.51  |
| Expired                         | -                            | -   |
| Exercised                       | -                            | -   |
| Balance, as at October 13, 2010 | 916,667                      | 0.51  |

**Future Financings**

We recorded a net operating loss of \$81,031 for the fiscal quarter ended August 31, 2010 and have an accumulated deficit of \$2,747,880 since inception. As of August 31, 2010 we had cash and cash equivalents, and short term investments totaling \$22,425 (May 31, 2009 - \$23,105). As of October 18, 2010, we had cash and cash equivalents, and short term investments totaling \$6,518.

As of the date of this report, management anticipates that we will require at least \$350,000 to fund our corporate operations and proposed exploration and development program for the next 12 months. Accordingly we do not have sufficient funds to meet our planned expenditures over the next 12 months. In addition we will require further financing in order to fund our anticipated expenses for the construction of the proposed wind turbine project.

We have begun sourcing additional debt or equity financing to cover the balance of the anticipated costs for the next 12 months. As of the date of this report, we do not have any arrangements in place for debt financing nor for the sale of our securities, and there is no assurance that we will be able to raise the required funds through equity and debt financing.

We have not had any specific communications with any representative of a debt financing institution regarding our proposed wind power project. We will only be able to secure debt financing for wind turbines if we are able to prove that an economic wind resource exists on a site over which we have acquired the rights to erect turbines and that we have negotiated a power purchase agreement with a credit-worthy counter-party.

We anticipate continuing to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing shareholders. We may also seek to raise additional cash by the issuance of debt instruments. As of the date of this report, there is no assurance that we will achieve any additional sales of our equity securities or arrange for debt or other financing to fund our exploration and development activities during the next 12 month period.



### **Off Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

### **Risks Related to our Business**

#### ***If we do not obtain additional financing our business will fail.***

Over the next 12 months, we expect to spend approximately \$250,000 on administrative costs, including management fees payable to our President, professional fees and general business expenses, including costs related to complying with our filing obligations as a reporting company. As our operations become more complex, it is anticipated that these costs will increase. We also expect incur a further \$100,000 in pre-development costs related to our wind power projects.

As of the date of this report, we do not have sufficient cash on hand to fund these expenditures. We will need to raise additional debt or equity financing in order to cover remaining business costs. We do not currently have any arrangements for financing and may not be able to find such financing if required.

#### ***Because we have not commenced business operations, we face a high risk of business failure.***

We have not yet commenced business operations as an independent power producer; accordingly, we have no way to evaluate the likelihood that our business will be successful. We were incorporated on February 25, 2005 and to date have been involved in conducting land assessments, acquiring leasehold interests in properties having the potential for wind power development, raising financing and completing wind, environmental and community assessments.

Potential investors should be aware of the difficulties normally encountered by development stage companies and the high rate of failure of such enterprises. Prior to earning revenue, of which there is no assurance, we will likely incur significant costs and expect to incur significant losses in the foreseeable future. If we are unable to acquire a property interest and erect a wind farm on our property, we will not earn profits nor be able to continue operations.

#### ***Because our continuation as a going concern is in doubt, we will be forced to cease business operations unless we can generate profitable operations in the future.***

We have incurred losses since our inception. Further losses are anticipated in the development of our business. As a result, there is substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent in the short to medium term on our ability to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due, and in the longer term, on upon our ability to generate profitable operations in the future. If we cannot raise financing to meet our obligations, we will be insolvent and will cease business operations.

#### ***If we are not able to obtain an interest in a suitable property with a potential wind resource, our business will fail.***

The lands on which we will seek to construct wind projects are owned by other parties. We will need to enter into land leases or other appropriate agreements in order to erect wind turbines and install ancillary equipment on the Keewatin Project site. We have entered into an agreement to operate a meteorological tower on a property comprising the Keewatin Project in southwestern Saskatchewan. However, we do not yet have an arrangement whereby we may erect turbines on the property.

We have entered into land lease agreements covering approximately 15,500 hectares in another area of southwestern Saskatchewan, that we refer to as the Birsay Project, allowing us to erect wind turbines and install ancillary equipment, subject, in certain circumstances, to the payment of lease payments prior to construction of the project. Even though we own leasehold interests in these properties, we may not be able to obtain the financing necessary to complete lease obligations. If we are unable to maintain our property interests, our business will fail.



***Future changes in weather patterns could negatively impact our business, reducing potential profitability or causing our business to fail.***

Changes in weather patterns may affect our ability to operate a wind power project on any property we acquire. Wind data that we collect from a meteorological tower may vary from results actually achieved when a wind turbine is installed. Changing global environmental and weather conditions may also affect the reliability of the data relating to a property.

Any wind farm that we develop, no matter where it is located, would be subject to variations in wind and changes in worldwide climatic conditions. Sudden or unexpected changes in environmental and meteorological conditions could reduce the productivity of any wind farm we construct. Climatic weather patterns, whether seasonal or for an extended period of time, resulting in lower, inadequate and/or inconsistent wind speed to propel the wind turbines may render our wind parks incapable of generating adequate, or any, electrical energy.

***Our ability to erect turbines on a property in Saskatchewan will be contingent upon it obtaining environmental and municipal permits. If it cannot acquire these permits, our business will fail.***

In order to erect turbines on the Saskatchewan property, we must excavate portions of the land and install concrete platforms below surface. Before we commence this, we will need to obtain environmental and municipal permits from the Saskatchewan provincial government and the town responsible for the property interest it acquires. Depending on environmental impact, our proposed land disturbance may be unacceptable to these government bodies. In addition, the turbines themselves may be seen to have a negative impact on the aesthetics of the region. These factors may prevent us from obtaining necessary permits. In such circumstances, we would be forced to abandon our business plan.

***If we cannot reach an agreement with a joint venture developer and operator our business will fail.***

As presently constituted, we do not have the skills and expertise necessary to build and operate a wind farm. Our management has never been involved in the construction or operation of a wind power project and does not have any technical background in the sector.

***If we cannot find a joint venture partner for our projects or a party which will purchase our electricity on acceptable terms, we will not be able to establish a wind power project and our business will fail.***

Even if we demonstrate a significant wind resource on a property that we acquire, we may not be able to secure a joint venture partner to further develop a project or a purchaser for any electricity that we produce on acceptable terms. Without a purchaser for electricity from a property, we will not be able to proceed with our business plan.

***Because all of our assets, and our directors and officers are located in Canada, U.S. residents' enforcement of legal process may be difficult.***

All of our assets are located in Canada. In addition, our director and officer resides in Canada. Accordingly, service of process upon our company, or upon individuals related to Sky Harvest, may be difficult or impossible to obtain within the United States. As well, any judgment obtained in the United States against us may not be collectible within the United States.

## **Risks Related to our Common Stock**

***A decline in the price of our common stock could affect our ability to raise further working capital, it may adversely impact our ability to continue operations and we may go out of business.***

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because we may attempt to acquire a significant portion of the funds we need in order to conduct our planned operations through the sale of equity securities, a decline in the price of our common stock could be detrimental to our liquidity and our operations because the decline may cause investors not to

choose to invest in our stock. If we are unable to raise the funds we require for all of our planned operations, we may force us to reallocate funds from other planned uses which may have a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. As a result, our business may suffer and not be successful and we may go out of business. We also might not be able to meet our financial obligations if we cannot raise enough funds through the sale of our common stock and we may be forced to go out of business.



***If we issue additional shares in the future, it will result in the dilution of our existing shareholders.***

Our certificate of incorporation authorizes the issuance of up to 100,000,000 shares of common stock with a par value of \$0.001. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares will result in a reduction of the book value and market price of the outstanding shares of our common stock. If we issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all current shareholders. Further, such issuance may result in a change of control of our corporation.

***Trading on the OTC Bulletin Board may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.***

Our common stock is quoted on the OTC Bulletin Board service of the Financial Industry Regulatory Authority ( FINRA ). Trading in stock quoted on the OTC Bulletin Board is often thin and characterized by wide fluctuations in trading prices due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTC Bulletin Board is not a stock exchange, and trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a quotation system like NASDAQ or a stock exchange like the American Stock Exchange. Accordingly, our shareholders may have difficulty reselling any of their shares.

***Our stock is a penny stock. Trading of our stock may be restricted by the SEC 's penny stock regulations and FINRA 's sales practice requirements, which may limit a stockholder 's ability to buy and sell our stock.***

Our stock is a penny stock. The Securities and Exchange Commission has adopted Rule 15c-2-07 which generally defines penny stock to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors . The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer 's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer 's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser 's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in, and limit the marketability of, our common stock.

***FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.***

In addition to the penny stock rules promulgated by the Securities and Exchange Commission (see above for a discussion of penny stock rules), FINRA rules require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable

**Item 4. Controls and Procedures.**

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at August 31, 2010, which is the end of the period covered by this report. This evaluation was carried out by our principal executive officer and principal financial officer. Based on this evaluation, our principal executive officer and principal financial officer has concluded that the design and operation of our disclosure controls and procedures were not effective as at the end of the period covered by this report.

Based on his evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal controls over financial reporting were not effective as of August 31, 2010 and were subject to material weaknesses.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We have identified the following material weaknesses in our internal control over financial reporting using the criteria established in the COSO:

1. Failure of former management to implement and comply with codes of conduct and other policies regarding acceptable business practice, conflicts of interest and expected standards of ethical and moral behavior;
2. Lack of timeliness with which former management provided information to board members to allow monitoring of management;
3. Failing to implement sufficient monitoring and controls to prevent unauthorized financial transactions by former management; and
4. Failing to have a director that qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by our company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the three months ended August 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

None

**Item 1A. Risk Factors.**

Not applicable

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None

**Item 3. Defaults Upon Senior Securities.**

None

**Item 4. Removed and Reserved**

**Item 5. Other Information.**

None

**Item 6. Exhibits.**

| <b>Description</b>  | <b>Exhibit<br/>No.</b> | <b>Form</b> | <b>Filing date</b> | <b>Filed<br/>with<br/>this<br/>Form<br/>10-Q</b> |
|---|------------------------|-------------|--------------------|--|
| <b><i>Articles of Incorporation and Bylaws</i></b>  |                        |             |                    |  |
| Articles of Incorporation   | 3.1                    | SB-2        | July 14, 2005      |  |
| Bylaws  | 3.2                    | SB-2        | July 14, 2005      |  |
| Certificate of designation  | 3.3                    | 8-K         | July 13, 2009      |  |
| <b><i>Instruments defining the rights of security holders</i></b>   |                        |             |                    |  |
| Form of Warrant Certificate for July 13, 2007 Private Placement   | 4.1                    | 10-QSB      | January 14, 2008   |  |
| <b><i>Material Contracts management contracts and compensatory plans</i></b>  |                        |             |                    |  |
| Management Agreement between Keewatin Windpower Corp. and Christopher Craddock, dated March 1, 2005                                 | 10.1                   | SB-2        | July 14, 2005      |  |
| <b><i>Material Contracts financing agreements</i></b>   |                        |             |                    |  |
| Form of Subscription Agreement for July 13, 2007 Private Placement for US Subscribers   | 10.2                   | 10-QSB      | January 14, 2008   |  |
| Form of Subscription Agreement for July 13, 2007 Private Placement for Non-US Subscribers   | 10.3                   | 10-QSB      | January 14, 2008   |  |
| <b><i>Material Contracts other</i></b>  |                        |             |                    |  |
| Consent to Entry/Right of Access Agreement between Keewatin Windpower Corp. and Edward and Charlotte Bothner, dated August 23, 2005 | 10.4                   | SB-2        | September 29, 2005 |  |
| Letter of Intent between Keewatin Windpower Corp. and Sky Harvest Windpower Corp. dated March 27, 2007                              | 10.5                   | 10-QSB      | January 14, 2008   |  |
| Loan Agreement between Sky Harvest Windpower Corp. and Keewatin Windpower Corp. dated September 23, 2008                            | 10.6                   | 10-QSB      | January 14, 2009   |  |
| Promissory Note of Sky Harvest Windpower Corp. dated September 23, 2008   | 10.7                   | 10-QSB      | January 14, 2009   |  |
| Financial Communications and Strategic Consulting Agreement with Aspire Clean Tech Communications, Inc. dated February 23, 2009     | 10.8                   | 8-K         | March 3, 2009      |  |
| Promissory Note of Sky Harvest Windpower Corp. dated September 23, 2008   | 10.9                   | 10-Q        | February 28, 2009  |  |
| Loan Agreement between Sky Harvest Windpower Corp. and Keewatin Windpower Corp. dated January 28, 2009                              | 10.10                  | 10-Q        | February 28, 2009  |  |
| Share exchange agreement between Keewatin Windpower Corp. and Sky Harvest Windpower Corp. dated May 11, 2009                        | 10.11                  | 8-K         | July 10, 2009      |  |
| Exchangeable share support agreement between Keewatin Windpower Corp. and Keewatin Windpower Inc. dated May 11, 2009                | 10.12                  | 8-K         | July 10, 2009      |  |

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|  |       |     |                    |
|--|-------|-----|--------------------|
| Voting and exchange trust agreement between Keewatin Windpower Corp., Keewatin Windpower Inc. and Valiant Trust Company dated May 11, 2009 | 10.13 | 8-K | July 10, 2009      |
| Articles of Merger filed between Keewatin Windpower Corp. and Sky Harvest Windpower Corp. filed September 1, 2009                          | 10.14 | 8-K | September 17, 2009 |
| Adoption of 2009 Stock Option Plan dated September 11, 2009  | 10.15 | 8-K | September 23, 2009 |

***Code of Ethics***

|                |      |      |                 |
|----------------|------|------|-----------------|
| Code of Ethics | 14.1 | 10-K | August 31, 2009 |
|----------------|------|------|-----------------|

|  |             |  |          |
|--|-------------|--|----------|
| <u>Certification Statement of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002</u> | <u>31.1</u> |  | <u>*</u> |
|--|-------------|--|----------|

|  |             |  |          |
|--|-------------|--|----------|
| <u>Certification Statement of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002</u> | <u>32.1</u> |  | <u>*</u> |
|--|-------------|--|----------|

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SKYHARVEST WINDPOWER CORP.

/s/ William Iny

William Iny

Chief Executive Officer and Chief Financial Officer

Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer

Date: October 19, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ William Iny

William Iny

Chief Executive Officer, Chief Financial Officer , President, Treasurer, Secretary, and Director, Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer

Date: October 19, 2010