

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

Sky Harvest Windpower Corp.
Form 10-Q
January 17, 2012

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 November 30, 2011
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)

Nevada
(State or other jurisdiction of
incorporation or organization)

N/A
(I.R.S. Employer
Identification No.)

890 West Pender Street, Suite 710, Vancouver, BC, Canada
(Address of principal executive offices)

V6C 1J9
(Zip Code)

(604) 267-3041
(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 (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required 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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

31,702,016 shares of common stock are issued and outstanding as of January 12, 2012 (including 15,680,016 shares of common stock reserved for issuance in exchange for certain outstanding exchangeable securities of the registrant).

INDEX

| | Page |
|--|------|
| | ---- |
| PART I FINANCIAL INFORMATION | |
| Item 1. Financial Statements (unaudited) | 3 |
| CONSOLIDATED BALANCE SHEETS as of November 30, 2011 and May 31, 2011 | 3 |
| CONSOLIDATED STATEMENTS OF OPERATIONS for the Three Months and Six Months Ended November 30, 2011 and 2010, and for the period since inception | 4 |
| CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY for the period since inception | 5 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS for the Six Months Ended November 30, 2011 and 2010, and for the period since inception | 9 |
| NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS | 10 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 17 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 24 |
| Item 4. Controls and Procedures | 24 |
| PART II OTHER INFORMATION | |
| Item 1. Legal Proceedings | 25 |
| Item 1A. Risk Factors | 25 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 25 |
| Item 3. Defaults Upon Senior Securities | 25 |
| Item 4 (Removed and reserved) | 25 |
| Item 5. Other Information | 25 |
| Item 6. Exhibits | 26 |
| SIGNATURES | 28 |

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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

| | November 30, 2011 | May 31, 2011 |
|---|----------------------|-----------------|
| | ----- \$ | ----- \$ |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 113,675 | 23,452 |
| Other receivables | 7,452 | 10,123 |
| Prepaid expenses | 5,262 | 53,456 |
| | ----- | ----- |
| Total Current Assets | 126,389 | 87,431 |
| Property and equipment, net (Note 4) | 67,993 | 71,234 |
| | ----- | ----- |
| Total Assets | 194,382 | 159,665 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Liabilities | | |
| Accounts payable | 156,983 | 166,789 |
| Accrued liabilities | 245 | 3,456 |
| Due to related parties (Note 7) | 85,785 | 283,456 |
| Note payable (Note 5) | 50,000 | 60,123 |
| | ----- | ----- |
| Total Liabilities | 293,013 | 513,824 |
| | ----- | ----- |
| Stockholders' Equity (Deficit) | | |
| Preferred Stock: | | |
| Authorized: 10,000,000 shares, \$0.001 par value | | |
| Issued and outstanding: 1 share (May 31, 2011 - 1 share) | -- | -- |
| Common Stock: | | |
| Authorized: 100,000,000 shares, \$0.001 par value | | |
| Issued and outstanding: 31,702,016 shares (May 31, 2011 - 29,732,016 shares) | 31,702 | 29,732 |
| Additional paid-in capital | 6,374,879 | 5,829,456 |
| Common stock subscribed (Note 10) | 6,750 | 6,750 |
| Accumulated other comprehensive loss | (33,069) | (82,345) |
| Deficit accumulated during the development stage | (6,478,893) | (6,137,456) |
| | ----- | ----- |
| Total Stockholders' Deficit | (98,631) | (353,456) |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity Deficit | 194,382 | 159,665 |
| | ===== | ===== |
| Continuing operations (Note 1) | | |
| Commitments and contingencies (Note 10) | | |

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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

3

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

| | Accumulated from February 25, 2005 (Date of Inception) to November 30, 2011 ----- \$ | For the Three Months Ended November 30, 2011 ----- \$ | For the Three Months Ended November 30, 2010 ----- \$ |
|--|--|---|---|
| Expenses | | | |
| Consulting fees | 381,634 | 502 | 25,890 |
| Engineering and development | 536,299 | 50,675 | 23,956 |
| Management fees (Note 7) | 705,097 | 88,632 | 15,740 |
| Professional fees | 389,499 | 17,797 | 29,053 |
| General and administrative | 1,784,179 | 7,313 | 50,041 |
| Acquired development costs | 242,501 | -- | -- |
| | ----- | ----- | ----- |
| Operating loss | (4,039,209) | (164,919) | (144,680) |
| Other Income (Loss) | | | |
| Impairment loss | (2,551,440) | -- | -- |
| Interest income | 89,382 | -- | (5) |
| Foreign exchange gain (loss) | 34,931 | (41,808) | 25,727 |
| Settlement of debt | (12,557) | -- | -- |
| | ----- | ----- | ----- |
| Net loss | (6,478,893) | (206,727) | (118,958) |
| Other Comprehensive Loss | | | |
| Foreign currency translation adjustments | (33,069) | 39,103 | (25,421) |
| | ----- | ----- | ----- |
| Comprehensive loss | (6,511,962) | (167,624) | (144,379) |
| | ===== | ===== | ===== |
| Net loss per common share - basic and diluted | | (0.01) | (0.00) |
| | | ----- | ----- |
| Weighted average number of common stock outstanding | | 31,702,000 | 29,732,000 |
| | | ----- | ----- |

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

4

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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

| | Preferred Stock # | Amount \$ | Common Shares # | Amount \$ | Additional Paid-in Capital \$ | Co St Subs |
|--|-------------------------|--------------|-----------------------|--------------|--|------------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance - February 25, 2005 (Date of Inception) | -- | -- | -- | -- | -- | |
| Common stock issued on March 2, 2005 to founders for cash at \$0.00167 per share | -- | -- | 6,000,000 | 6,000 | 4,000 | |
| Common stock issued from March 4, 2005 to March 20, 2005 for cash at \$0.0033 per share | -- | -- | 3,000,000 | 3,000 | 7,000 | |
| Common stock issued on March 31, 2005 for cash at \$0.0167 per share | -- | -- | 300,000 | 300 | 4,700 | |
| Common stock issued from April 7, 2005 to April 28, 2005 for cash at \$0.0167 per share | -- | -- | 480,000 | 480 | 7,520 | |
| Common stock issued from May 1, 2005 to May 25, 2005 for cash at \$0.0167 per share | -- | -- | 690,000 | 690 | 10,810 | |
| Common stock issued on May 29, 2005 for cash at \$0.0167 per share | -- | -- | 60,000 | 60 | 9,940 | |
| Net loss for the period | -- | -- | -- | -- | -- | |
| Balance - May, 31 2005 carried forward | -- | -- | 10,530,000 | 10,530 | 43,970 | |

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

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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

(Unaudited)

| | Preferred Stock # | Amount \$ | Common Shares # | Amount \$ | Additional Paid-in Capital \$ | Co St Subs |
|--|-------------------------|--------------|-----------------------|--------------|--|------------------|
| | ----- | ----- | ----- | ----- | ----- | --- |
| Balance - May, 31, 2005 brought forward | -- | -- | 10,530,000 | 10,530 | 43,970 | |
| Net loss for the year | -- | -- | -- | -- | -- | |
| Balance - May 31, 2006 | -- | -- | 10,530,000 | 10,530 | 43,970 | |
| Common stock subscribed | -- | -- | -- | -- | -- | 50 |
| Stock-based compensation | -- | -- | -- | -- | 365,508 | |
| Net loss for the year | -- | -- | -- | -- | -- | |
| Balance - May 31, 2007 carried forward | -- | -- | 10,530,000 | 10,530 | 409,478 | 50 |

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

6

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

| | Preferred Stock # | Amount \$ | Common Shares # | Amount \$ | Additional Paid-in Capital \$ | Co St Subs |
|---|-------------------------|--------------|-----------------------|--------------|--|------------------|
| | ----- | ----- | ----- | ----- | ----- | --- |
| Balance - May 31, 2007 carried forward | -- | -- | 10,530,000 | 10,530 | 409,478 | 50 |
| Common stock issued on July 11, 2007 for cash at \$0.70 per share | -- | -- | 715,000 | 715 | 499,785 | (50) |
| Common stock issued on July 11, 2007 for finders' fees | -- | -- | 71,500 | 71 | 49,979 | |
| Common stock issued on July | | | | | | |

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

| | | | | | |
|---|-------|-------|------------|--------|-----------|
| 27, 2007 for cash at \$1.20 per share | -- | -- | 1,075,000 | 1,075 | 1,288,925 |
| One million share purchase warrants issued for finders' fee | -- | -- | -- | -- | 321,279 |
| Finders' fees | -- | -- | -- | -- | (498,080) |
| Net loss for the year | -- | -- | -- | -- | -- |
| Balance - May 31, 2008 | ----- | ----- | ----- | ----- | ----- |
| | -- | -- | 12,391,500 | 12,391 | 2,071,366 |
| Common stock subscribed | -- | -- | -- | -- | -- |
| Net loss for the year | -- | -- | -- | -- | -- |
| Balance - May 31, 2009 carried forward | ----- | ----- | ----- | ----- | ----- |
| | -- | -- | 12,391,500 | 12,391 | 2,071,366 |

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

7

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

| | Preferred Stock # | Amount \$ | Common Shares # | Amount \$ | Additional Paid-in Capital \$ | Common Stock Subscribed \$ | Accumul Othe Comprehe Loss |
|---|-------------------------|--------------|-----------------------|--------------|--|-------------------------------------|-------------------------------------|
| | ---- | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance - May 31, 2009 carried forward | -- | -- | 12,391,500 | 12,391 | 2,071,366 | 6,750 | |
| Common stock issued pursuant to business acquisition | -- | -- | 17,340,516 | 17,341 | 2,583,736 | -- | |
| Preferred stock issued pursuant to business acquisition | 1 | -- | -- | -- | -- | -- | |
| Stock-based compensation | -- | -- | -- | -- | 589,514 | -- | |
| Accumulated other comprehensive loss | -- | -- | -- | -- | -- | -- | (28, |
| Net loss for year | -- | -- | -- | -- | -- | -- | |
| Balance - May 31, 2010 | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | 1 | -- | 29,732,016 | 29,732 | 5,244,616 | 6,750 | (28, |

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

| | | | | | | | |
|---|------|-------|------------|--------|-----------|-------|-------|
| Stock-based compensation | -- | -- | -- | -- | 585,180 | -- | |
| Accumulated other comprehensive loss | -- | -- | -- | -- | -- | -- | (54,) |
| Net loss for the year | -- | -- | -- | -- | -- | -- | |
| Balance - May 31, 2011 | 1 | -- | 29,732,016 | 29,732 | 5,829,796 | 6,750 | (82,) |
| Stock-based compensation | -- | -- | -- | -- | (4,897) | -- | |
| Accumulated other comprehensive loss | -- | -- | -- | -- | -- | -- | 49, |
| Common stock issued on June 21, 2011 for cash at \$0.25 per share | -- | -- | 1,970,000 | 1,970 | 490,530 | -- | |
| Disgorgement of swing trading profits | -- | -- | -- | -- | 59,450 | -- | |
| Net loss for the period | -- | -- | -- | -- | -- | -- | |
| Balance - November 30, 2011 | 1 | -- | 31,702,016 | 31,702 | 6,374,879 | 6,750 | (33, |
| | ==== | ===== | ===== | ===== | ===== | ===== | ===== |

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

8

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

| | Accumulated from February 25, 2005 (Date of Inception) to November 30, 2011 | For the Six Months Ended November 30, 2011 |
|---|---|--|
| | ----- \$ | ----- \$ |
| Operating activities | | |
| Net loss for the period | (6,478,893) | (341,366) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 23,361 | 350 |
| Stock-based compensation | 1,540,265 | (4,897) |
| Impairment loss | 2,551,440 | -- |
| Loss on settlement of debt | 12,557 | (3,429) |
| Acquired development costs | 242,501 | -- |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | 6,872 | 47,858 |
| Accrued interest | 244 | -- |
| Accounts payable and accrued liabilities | 138,992 | (9,075) |

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

| | | |
|--|-------------|-----------|
| Account receivable | (25,809) | 3,404 |
| Note receivable | (280,000) | -- |
| Due to related parties | 23,367 | (51,081) |
| | ----- | ----- |
| Net cash flows used in operating activities | (2,245,103) | (358,236) |
| | ----- | ----- |
| Investing activities | | |
| Purchase of equipment | (23,504) | -- |
| Purchase of short-term investments | (2,472,839) | -- |
| Redemption of short-term investments | 2,493,484 | -- |
| Cash acquired from acquisition | 21,016 | -- |
| | ----- | ----- |
| Net cash flows provided by investing activities | 18,157 | -- |
| | ----- | ----- |
| Financing activities | | |
| Proceeds from common stock issuances | 2,210,749 | 492,500 |
| Proceeds from (Repayment of) related party loans | 62,854 | (144,536) |
| Proceeds from (Repayment of) note payable | 50,000 | (10,324) |
| Proceeds from swing sale disgorgement | 59,450 | 59,450 |
| | ----- | ----- |
| Net cash flows provided by financing activities | 2,383,053 | 397,090 |
| | ----- | ----- |
| Effect of exchange rate changes on cash | (42,432) | 51,356 |
| | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | 113,675 | 90,210 |
| Cash and cash equivalents - beginning of period | -- | 23,465 |
| | ----- | ----- |
| Cash and cash equivalents - end of period | 113,675 | 113,675 |
| | ===== | ===== |
| Supplementary disclosures: | | |
| Interest paid | -- | -- |
| Income taxes paid | -- | -- |
| | ----- | ----- |
| Significant non-cash investing and financing activities: | | |
| Stock issuance for acquisition | 2,601,077 | -- |
| Increase intangible asset due to acquisition | 2,551,400 | -- |
| Accounts payable increased due to acquisition | 30,986 | -- |
| | ----- | ----- |

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

9

Sky Harvest Windpower Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2011
(Expressed in US Dollars)
(Unaudited)

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,

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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 November 30, 2011, the Company has accumulated losses of \$6,478,893 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. Cash Equivalents

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

c. 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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

10

Sky Harvest Windpower Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2011
(Expressed in US Dollars)
(Unaudited)

2. Significant Accounting Policies (continued)

c. Fair Value Measurements (continued)

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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

management judgment and subjectivity.

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

d. 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.

11

Sky Harvest Windpower Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2011
(Expressed in US Dollars)
(Unaudited)

2. Significant Accounting Policies (continued)

d. Equipment (continued)

(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.

e. Long Lived Assets

INTANGIBLE ASSETS

In accordance with ASC 350, INTANGIBLES - GOODWILL AND OTHER, goodwill

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

f. 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.

12

Sky Harvest Windpower Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2011
(Expressed in US Dollars)
(Unaudited)

2. Significant Accounting Policies (continued)

g. Foreign Currency Translation

The functional currency of the Company's Canadian subsidiaries is the

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

h. 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.

i. 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.

j. 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.

k. 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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

13

Sky Harvest Windpower Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 November 30, 2011
 (Expressed in US Dollars)
 (Unaudited)

2. Significant Accounting Policies (continued)

1. 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 November 30, 2011 and 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 Depreciation | November 30, 2011 Net Carrying Value | May 31, 2011 Net Carrying Value |
|--------------------------|-------------|-----------------------------|--|---------------------------------------|
| | ----- \$ | ----- \$ | ----- \$ | ----- \$ |
| Computer equipment | 5,916 | (5,388) | 528 | 781 |
| Asset under construction | 66,879 | -- | 66,879 | 70,447 |
| Wind tower equipment | 22,116 | (21,530) | 586 | 717 |
| | ----- | ----- | ----- | ----- |
| | 94,911 | (26,918) | 67,993 | 71,945 |
| | ===== | ===== | ===== | ===== |

5. Note Payable

During the year ended May 31, 2011, the Company received advances from third parties in the amount of \$60,324. During the three months ended November 30, 2011, the Company repaid \$10,324. At November 30, 2011, advances of \$50,000 remain outstanding. The amount is unsecured, non-interest bearing and due on demand.

6. Preferred Stock

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

On July 11, 2009, the Company entered into a voting and exchange trust agreement among its subsidiary, Keewatin Wind Power Corp., and Valiant Trust Company (Valiant Trust) whereby the Company issued and deposited with Valiant Trust one special preferred voting share of the Company in order to enable Valiant Trust to execute certain voting and exchange rights as trustee from time to time for and on behalf of the registered holders of the preferred shares of Keewatin Wind Power Corp. Each preferred share of Keewatin Wind Power Corp. is exchangeable into one share of common stock of the Company at the election of the shareholder, or, in certain circumstances, of the Company.

As of November 30, 2011, the Company had issued 885,000 shares of common stock to holders of 885,000 shares of exchangeable preferred shares of its subsidiary Keewatin Wind Power Corp., pursuant to them exercising their exchange rights. As of November 30, 2011, there were 15,680,016 outstanding exchangeable shares (May 31, 2011 - 15,680,016 shares).

As the exchangeable shares have already been recognized in connection with the acquisition of Sky Harvest - Saskatchewan, the value ascribed to these shares on exchange is \$Nil.

14

Sky Harvest Windpower Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2011
(Expressed in US Dollars)
(Unaudited)

7. Related Party Transactions

- a) During the six months ended November 30, 2011, the Company incurred \$Nil (2010 - \$30,903) for management services provided by a former director and a principal shareholder of the Company.
- b) During the six months ended November 30, 2011, the Company incurred \$30,657 (2010 - \$31,167) to a company controlled by the President and principal shareholder of the Company for management services. During the six months ended November 30, 2011, the Company paid a bonus of \$73,860 (Cdn\$75,000) (2010 - \$nil) to the President and principal shareholder of the Company for management services. As at November 30, 2011, the Company is indebted to that company and the Company's President for \$21,954 (May 31, 2011 - \$178,872), which is non-interest bearing, unsecured and due on demand.
- c) On June 18, 2010, the Company entered into a loan agreement with a director for \$27,000 which is payable within three months a written demand is received from the note holder. The amount is unsecured and bears interest at 15% per annum. As at November 30, 2011, accrued interest of \$5,881 was recorded. During the year ended May 31, 2011, the Company received an advance of \$69,587 (CDN\$71,000) from the same director. During the six months ended November 30, 2011, the Company repaid \$39,204 (CDN\$40,000) At November 30, 2011, \$30,383 (CDN\$31,000) is unsecured, non-interest bearing and has no terms of repayment.
- d) On August 31, 2011, the Company received a disgorgement of swing trading profits of \$59,450 from the President of the Company. This amount has been credited to additional paid in capital.

These related party transactions are recorded at the exchange amount, being the amount established and agreed to by the related parties.

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

8. Common Stock

On June 21, 2011, the Company closed a private placement consisting of 1,970,000 shares of common stock at a price of \$0.25 per share for gross proceeds of \$492,500.

9. Stock Based Compensation

On September 11, 2009, the Company's board of directors adopted the 2009 Stock Option Plan which provides for the granting of stock options to acquire up to 2,900,000 common shares of the Company to eligible employees, officers, directors and consultants of the Company. At November 30, 2011, the Company had 1,650,000 shares of common stock available to be issued under the Plan.

The fair value for stock options vested during the six month periods ended November 30, 2011 and 2010 were estimated at the vesting and granting date using the Black-Scholes option-pricing model. The weighted average assumptions used are as follows:

| | Six Months Ended November 30, 2011 ---- | Six Months Ended November 30, 2010 ---- |
|---------------------------------|---|---|
| Expected dividend yield | 0% | 0% |
| Risk-free interest rate | 0.51% | 2.10% |
| Expected volatility | 573% | 222% |
| Expected option life (in years) | 3.13 | 4.03 |

15

Sky Harvest Windpower Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 November 30, 2011
 (Expressed in US Dollars)
 (Unaudited)

9. Stock Based Compensation (continued)

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

| | Number of Options ----- | Average Exercise Price ----- | Weighted- Average Remaining Contractual Term (years) ----- | Aggregate Intrinsic Value ----- |
|---------------------------|-------------------------------|---------------------------------------|--|--|
| | | \$ | | \$ |
| Outstanding: May 31, 2010 | 1,250,000 | 0.51 | | |
| Granted | 2,600,000 | 0.16 | | |
| Expired | (666,666) | 0.51 | | |
| | ----- | ---- | | |

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

| | | | | |
|--|--------------------|---------------|---------------|-------------|
| Outstanding: May 31, 2011 and November 30, 2011 | 3,183,334 ----- | 0.23 ---- | 4.05 ---- | -- ----- |
| Exercisable: November 30, 2011 | 3,183,334 ===== | 0.23 ===== | 4.05 ===== | -- ===== |

A summary of the status of the Company's non-vested stock options as of November 30, 2011, and changes during the six months ended November 30, 2011, is presented below:

| Non-vested options | Number of Options | Weighted Average Grant Date Fair Value |
|---------------------------------|----------------------|--|
| Non-vested at May 31, 2011 | 62,500 | 0.42 |
| Granted | -- | -- |
| Forfeited/Cancelled | -- | -- |
| Vested | (62,500) ----- | 0.42 ---- |
| Non-vested at November 30, 2011 | -- ===== | -- ===== |

At November 30, 2011, there was \$nil of unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan.

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 November 30, 2011, the fair value of the 15,000 shares issuable was \$6,750 and is included in common stock subscribed.

11. Subsequent Events

In accordance with ASC 855, SUBSEQUENT EVENTS, the Company has evaluated subsequent events through the date of issuance of the audited consolidated financial statements. Subsequent to the fiscal period ended November 30, 2011, 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, 2011. 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,"

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

"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.

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 November 30, 2011, which are included herein.

| | Three months ended November 30, | | | |
|------------------------------|---------------------------------|----------|----------------------|-------|
| | 2011 | 2010 | Increase/ (Decrease) | |
| | ----- | ----- | ----- | ----- |
| | \$ | \$ | \$ | % |
| Revenue | 0 | 0 | 0 | N/A |
| Expenses | 164,919 | 144,680 | 20,239 | 14.0% |
| Foreign exchange (gain) loss | 41,808 | (25,727) | 67,535 | N/A |
| Interest income | 0 | (5) | 5 | N/A |
| | ----- | ----- | ----- | ----- |
| Net Loss | 206,727 | 118,958 | 87,769 | 73.7% |
| | ===== | ===== | ===== | ===== |

17

| Six months ended November 30, | | |
|-------------------------------|------|----------------------|
| 2011 | 2010 | Increase/ (Decrease) |

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

| | ----- \$ | \$ | \$ | % |
|------------------------------|-------------|----------|---------|--------|
| Revenue | 0 | 0 | 0 | N/A |
| Expenses | 296,073 | 210,056 | 86,017 | 40.9% |
| Foreign exchange (gain) loss | 48,722 | (10,043) | 58,765 | N/A |
| Interest income | 0 | (24) | (24) | (100%) |
| Settlement of debt | (3,429) | 0 | 3,429 | N/A |
| | ----- | ----- | ----- | ----- |
| Net Loss | 341,366 | 199,989 | 141,377 | 70.7% |
| | ===== | ===== | ===== | ===== |

REVENUES

We recorded a net operating loss of \$206,727 for the fiscal quarter ended November 30, 2011 and have an accumulated deficit of \$6,511,962 since inception. We have had no operating revenue since our inception on February 25, 2005 through to the fiscal quarter ended November 30, 2011. We anticipate that we will not generate any revenue while we are a development stage company.

EXPENSES

Our expenses for the three and six months ended November 30, 2011 and 2010 are outlined below:

| | Three months ended November 30, | | | |
|-----------------------------|---------------------------------|---------|----------------------|---------|
| | 2011 | 2010 | Increase/ (Decrease) | |
| | ----- | ----- | ----- | ----- |
| | \$ | \$ | \$ | % |
| Consulting fees | 502 | 25,890 | (25,388) | (98.0%) |
| Engineering and development | 50,675 | 23,956 | 26,719 | 111.5% |
| Management fees | 88,632 | 15,740 | 72,892 | 463.1% |
| Professional fees | 17,797 | 29,053 | (11,256) | (38.7%) |
| General and administrative | 7,313 | 50,041 | (42,728) | (85.4%) |
| | ----- | ----- | ----- | ----- |
| Net Operating Loss | 164,919 | 144,680 | 20,239 | 14.06% |
| | ===== | ===== | ===== | ===== |

| | Six months ended November 30, | | | |
|-----------------------------|-------------------------------|---------|----------------------|---------|
| | 2011 | 2010 | Increase/ (Decrease) | |
| | ----- | ----- | ----- | ----- |
| | \$ | \$ | \$ | % |
| Consulting fees | 15,187 | 46,077 | (30,890) | (67.0%) |
| Engineering and development | 123,968 | 40,014 | 83,954 | 209.8% |
| Management fees | 104,517 | 62,070 | 42,447 | 68.4% |
| Professional fees | 35,734 | 31,409 | 4,325 | (13.8%) |
| General and administrative | 16,667 | 30,486 | (13,819) | (45.3%) |
| | ----- | ----- | ----- | ----- |
| Net Operating Loss | 296,073 | 210,056 | 86,017 | 40.9% |
| | ===== | ===== | ===== | ===== |

Consulting expenses decreased by \$25,388 in the three month period ended November 30, 2011 compared to the three month period ended November 30, 2010, and by \$3,090 in the six month period ended November 30, 2011 compared to the six month period ended November 30, 2010. This decrease primarily relates to a reduction in fees paid for investor relations services.

Engineering and development expenses increased by \$26,719 in the three month period ended November 30, 2011 compared to the three month period ended November 30, 2010, and by \$83,954 in the six month period ended November 30, 2011

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

compared to the six month period ended November 30, 2010. This increase is a result of development and maintenance work on our wind power projects.

Management fees increased by \$72,892 in the three month period ended November 30, 2011 compared to the three month period ended November 30, 2010, and by \$42,447 in the six month period ended November 30, 2011 compared to the six month period ended November 30, 2010. This increase relates to fees paid to William Iny, our president and sole director, for management services. Until this quarter, Mr. Iny had not received any payments for his services since he became our president in September 2010.

Professional fees, consisting primarily of legal and accounting costs, decreased by \$11,256 in the three month period ended November 30, 2011 compared to the three month period ended November 30, 2010, and increased by \$4,325 in the six month period ended November 30, 2011 compared to the six month period ended November 30, 2010. This decrease was due to lower accounting and legal costs that we incurred in the quarter.

General and administrative expenses decreased by \$42,728 in the three month period ended November 30, 2011 compared to the three month period ended November 30, 2010, and by \$13,819 in the six month period ended November 30, 2011 compared to the six month period ended November 30, 2010.

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

We did not generate interest in the three or six month periods ended November 30, 2011. The Company has redeemed funds previously held in term deposits in order to fund development of its wind power projects and continued corporate operations.

LIQUIDITY AND CAPITAL RESOURCES

Our financial condition as at November 30, 2011, and May 31, 2011, our fiscal year end, and the changes for on those dates are summarized as follows:

WORKING CAPITAL

| | November 30, 2011 | May 31, 2010 | Increase/ (Decrease) | |
|---------------------|----------------------|-----------------|----------------------|---------|
| | ----- | ----- | ----- | ----- |
| | \$ | \$ | \$ | % |
| Current Assets | 126,389 | 87,440 | (38,949) | (44.5%) |
| Current Liabilities | 293,013 | 513,079 | (220,066) | (42.9%) |
| | ----- | ----- | ----- | ----- |
| Working Capital | (166,624) | (425,639) | 259,015 | 60.9% |
| | ===== | ===== | ===== | ===== |

The increase in our working capital position of \$259,015 from May 31, 2011, the date of our most recently fiscal year end, to November 30, 2011 was primarily due to our completion of a private placement consisting of the sale of 1,970,000 shares of our common stock at \$0.25 each for aggregate proceeds of \$492,000 and the payment of current liabilities with those funds.

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

19

CASH FLOWS

| | 2011 | Six months ended 2010 | November 30, Increase/ (Decrease) |
|---|-------------|--------------------------|--------------------------------------|
| | ----- \$ | ----- \$ | ----- \$ |
| Cash Flows from (used in) Operating Activities | (358,236) | (81,586) | (276,650) |
| Cash Flows provided by (used in) Investing Activities | -- | 22,840 | (22,840) |
| Cash Flows provided by Financing Activities | 397,090 | 77,028 | 320,062 |
| Effect of exchange rate changes on cash | 51,356 | (11,846) | 63,202 |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash during period | 90,210 | 6,436 | 83,774 |
| | ===== | ===== | ===== |

During the six months ended November 30, 2011, we used net cash in operating activities in the amount of \$358,236. This cash outflow primarily consisted of payments for wind property engineering and development costs, management fees, and audit and accounting fees.

The \$397,090 in cash flows provided by financing activities during the six months ended November 30, 2011 primarily consisted of private placement proceeds and proceeds from a short-swing sale disgorgement from one of our directors.

DISCLOSURE OF OUTSTANDING SHARE DATA

WARRANTS

None

SHARE OPTIONS

From time to time, we have granted stock options to directors, officers and key advisors to acquire shares of our common stock.

A summary of our stock option activity is as follows:

| | Number of Options ----- | Weighted Average Exercise Price ----- \$ |
|--------------------------------|-------------------------------|---|
| Balance as at May 31, 2010 | 1,250,000 | 0.51 |
| Granted | 2,600,000 | 0.16 |
| Expired | (666,666) | 0.51 |
| Exercised | -- | -- |
| | ----- | ----- |
| Outstanding: November 30, 2011 | 3,183,334 | 0.23 |
| | ----- | ----- |
| Exercisable: November 30, 2011 | 3,183,334 | 0.23 |
| | ----- | ----- |

FUTURE FINANCINGS

We recorded a comprehensive loss of \$167,624 for the three month period ended November 30, 2011 and have an accumulated deficit of \$6,511,962 since inception.

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

As of November 30, 2011 we had cash and cash equivalents totaling \$113,675 (May 31, 2011 - \$23,465).

20

As of the date of this report, management anticipates that we will require at least \$350,000 to fund our corporate operations and wind power property development program for the next 12 months. As well, we will require approximately an additional \$300,000 to cover our current outstanding liabilities. 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. However, there is no assurance that we will successfully complete this 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.

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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

21

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.

Third parties own the lands on which we will seek to construct wind projects. We have entered into land lease agreements covering approximately 15,520 acres that relate to our primary project, which is located in southwestern Saskatchewan, which we refer to as the Sky Harvest Project. These agreements allow 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.

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 and Matador Project sites, which are also located in southwestern Saskatchewan. We have entered into agreements to operate meteorological towers on the properties comprising the Keewatin and Matador Projects in southwestern Saskatchewan. However, we do not yet have an arrangement whereby we may erect turbines on the properties.

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.

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

22

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 sole officer and half of our directors reside 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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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

23

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-9 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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

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 November 30, 2011, which is the end of the period covered by this report. This evaluation was carried out by our principal executive officer and

24

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 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 November 30, 2011 and were subject to material weakness.

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, namely:

1. Failing to have an audit committee or other independent committee that is independent of management to assess internal control over financial reporting; and
2. 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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

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.

During the three months ended November 30, 2011, our internal control over financial reporting was not subject to any changes.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is not a party to any material legal proceedings that have been commenced or are pending.

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

25

ITEM 6. EXHIBITS.

| Description ----- | Exhibit No. --- | Form ---- | Filing da ----- |
|---|-----------------------|--------------|--------------------|
| ARTICLES OF INCORPORATION AND BYLAWS | | | |
| Articles of Incorporation | 3.1 | SB-2 | July 14, 2 |
| Bylaws | 3.2 | SB-2 | July 14, 2 |
| Certificate of designation | 3.3 | 8-K | July 13, 2 |
| INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS | | | |
| Form of Warrant Certificate for July 13, 2007 Private Placement | 4.1 | 10-QSB | January 14 |

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

MATERIAL CONTRACTS--FINANCING AGREEMENTS

| | | | |
|---|------|--------|------------|
| Form of Subscription Agreement for July 13, 2007 Private Placement for US Subscribers | 10.2 | 10-QSB | January 14 |
|---|------|--------|------------|

| | | | |
|---|------|--------|------------|
| Form of Subscription Agreement for July 13, 2007 Private Placement for Non-US Subscribers | 10.3 | 10-QSB | January 14 |
|---|------|--------|------------|

MATERIAL CONTRACTS--OTHER

| | | | |
|---|------|------|-----------|
| 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 |
|---|------|------|-----------|

| | | | |
|--|------|--------|------------|
| Letter of Intent between Keewatin Windpower Corp. and Sky Harvest Windpower Corp. dated March 27, 2007 | 10.5 | 10-QSB | January 14 |
|--|------|--------|------------|

| | | | |
|--|------|--------|------------|
| Loan Agreement between Sky Harvest Windpower Corp. and Keewatin Windpower Corp. dated September 23, 2008 | 10.6 | 10-QSB | January 14 |
|--|------|--------|------------|

| | | | |
|---|------|--------|------------|
| Promissory Note of Sky Harvest Windpower Corp. dated September 23, 2008 | 10.7 | 10-QSB | January 14 |
|---|------|--------|------------|

| | | | |
|---|------|-----|------------|
| Financial Communications and Strategic Consulting Agreement with Aspire Clean Tech Communications, Inc. dated February 23, 2009 | 10.8 | 8-K | March 3, 2 |
|---|------|-----|------------|

| | | | |
|---|------|------|------------|
| Promissory Note of Sky Harvest Windpower Corp. dated September 23, 2008 | 10.9 | 10-Q | August 31, |
|---|------|------|------------|

| | | | |
|--|-------|------|------------|
| Loan Agreement between Sky Harvest Windpower Corp. and Keewatin Windpower Corp. dated January 28, 2009 | 10.10 | 10-Q | August 31, |
|--|-------|------|------------|

| | | | |
|--|-------|-----|------------|
| Share exchange agreement between Keewatin Windpower Corp. and Sky Harvest Windpower Corp. dated May 11, 2009 | 10.11 | 8-K | July 10, 2 |
|--|-------|-----|------------|

| | | | |
|--|-------|-----|------------|
| Exchangeable share support agreement between Keewatin Windpower Corp. and Keewatin Windpower Inc. dated May 11, 2009 | 10.12 | 8-K | July 10, 2 |
|--|-------|-----|------------|

26

| | | | |
|--|-------|-----|------------|
| 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, 2 |
|--|-------|-----|------------|

| | | | |
|---|-------|-----|-----------|
| Articles of Merger filed between Keewatin Windpower Corp. and Sky Harvest Windpower Corp. filed September 1, 2009 | 10.14 | 8-K | September |
|---|-------|-----|-----------|

| | | | |
|---|-------|-----|-----------|
| Adoption of 2009 Stock Option Plan dated September 11, 2009 | 10.15 | 8-K | September |
|---|-------|-----|-----------|

CODE OF ETHICS

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

Edgar Filing: Sky Harvest Windpower Corp. - Form 10-Q

| | |
|---|------|
| Certification Statement of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 | 31.1 |
| 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 | 32.1 |
| Interactive Data Files pursuant to Rule 405 of Regulation S-T. | 101 |

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: January 13, 2012

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: January 13, 2012