

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

Sky Harvest Energy Corp.
Form 10-Q
January 14, 2014

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, 2013
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 ENERGY 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.)

1200 West 73rd Avenue, 11th Floor, Vancouver, BC, Canada
(Address of principal executive offices)

V6P 6G5
(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

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

Rule 12b-2 of the Exchange Act). Yes [] No [X]

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.

33,203,016 shares of common stock are issued and outstanding as of January 14, 2014 (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, 2013 and May 31, 2013	3
CONSOLIDATED STATEMENTS OF OPERATIONS for the Three Months and Six Months Ended November 30, 2013 and 2012, and for the period since inception	4
CONSOLIDATED STATEMENTS OF CASH FLOWS for the Six Months Ended November 30, 2013 and 2012, and for the period since inception	5
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3. Quantitative and Qualitative Disclosures About Market Risk	17
Item 4. Controls and Procedures	17
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	18
Item 1A. Risk Factors	18
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3. Defaults Upon Senior Securities	18
Item 4. Mine Safety Disclosures	18
Item 5. Other Information	18
Item 6. Exhibits	19
SIGNATURES	21

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(A Development Stage Company)
 Consolidated Balance Sheets
 (Expressed in US Dollars)
 (Unaudited)

	November 30, 2013	May 2013
	----- \$	----- \$
ASSETS		
Current Assets		
Cash and cash equivalents	47,614	10,000
Other receivables	9,951	1,000
Prepaid expenses	3,632	1,000
	-----	-----
Total Current Assets	61,197	11,000
Property and equipment, net (Note 4)	37,057	1,000
Intangible assets (Note 5)	193,204	1,000
	-----	-----
Total Assets	291,458	11,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities		
Accounts payable	198,022	18,000
Accrued liabilities	260	1,000
Due to related parties (Note 8)	253,936	15,000
Note payable (Note 6)	50,000	5,000
	-----	-----
Total Liabilities	502,218	38,000
	-----	-----
Stockholders' Deficit		
Preferred Stock:		
Authorized: 10,000,000 shares, \$0.001 par value		
Issued and outstanding: 1 share (May 31, 2013 - 1 share)	--	--
Common Stock:		
Authorized: 100,000,000 shares, \$0.001 par value		
Issued and outstanding: 33,203,016 shares		
(May 31, 2013 - 32,553,016 shares)	33,203	3,000
Additional paid-in capital	6,973,627	6,700,000
Common stock subscribed (Notes 9 and 12)	111,796	1,000
Accumulated other comprehensive income (loss)	22,727	(1,000)
Deficit accumulated during the development stage	(7,352,113)	(7,000)
	-----	-----
Total Stockholders' Deficit	(210,760)	(27,000)
	-----	-----
Total Liabilities and Stockholders' Deficit	291,458	11,000
	=====	=====
Continuing operations (Note 1)		
Commitments and contingencies (Note 12)		

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

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

3

Sky Harvest Energy 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, 2013	For the Three months Ended November 30, 2013	For the Three months Ended November 30, 2012
	----- \$	----- \$	----- \$
Expenses			
Consulting fees	514,545	9,611	--
Engineering and development	615,067	1,670	17,086
Management fees (Note 8)	944,265	34,821	15,184
Professional fees	583,354	16,602	8,084
General and administrative	1,891,621	38,266	9,588
Acquired development costs	242,501	--	--
	-----	-----	-----
Operating loss	(4,791,353)	(100,970)	(49,942)
Other Income (Loss)			
Impairment loss	(2,618,271)	--	--
Interest income	89,391	--	--
Foreign exchange (loss) gain	(19,893)	(14,871)	(8,633)
Settlement of debt	(11,987)	--	--
	-----	-----	-----
Net loss	(7,352,113)	(115,841)	(58,575)
Other Comprehensive Income (Loss)			
Foreign currency translation adjustments	22,727	7,310	9,902
	-----	-----	-----
Comprehensive loss	(7,329,386)	(108,531)	(48,673)
	=====	=====	=====
Net loss per common share - basic and diluted		(0.01)	(0.00)
		-----	-----
Weighted average number of common stock outstanding		33,203,000	32,553,000
		-----	-----

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

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

4

Sky Harvest Energy 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, 2013 ----- \$	For the Six months Ended November 30, 2013 ----- \$
Operating activities		
Net loss for the period	(7,352,113)	(334,130)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	25,076	37,000
Stock-based compensation	1,744,564	134,990
Impairment loss	2,618,271	-
Loss on settlement of debt	11,987	-
Acquired development costs	242,501	-
Changes in operating assets and liabilities:		
Prepaid expenses	8,503	(2,490)
Accrued interest	244	-
Accounts payable and accrued liabilities	154,973	(11,190)
Account receivable	(28,308)	(4,200)
Note receivable	(280,000)	-
Due to related parties	188,004	94,550
Net cash flows (used in) provided by operating activities	(2,666,298)	(122,100)
Investing activities		
Purchase of equipment	(61,216)	(36,050)
Purchase of intangible assets	(35,562)	(35,560)
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 used in investing activities	(55,117)	(71,610)
Financing activities		
Proceeds from common stock issuances	2,415,249	-
Proceeds from common stock subscribed	105,046	105,040
Proceeds from related party loans	62,854	-
Proceeds from note payable	50,000	-
Proceeds from swing sale disgorgement	118,900	-
Net cash flows provided by financing activities	2,752,049	105,040
Effect of exchange rate changes on cash	16,980	32,840
Increase (Decrease) in cash and cash equivalents	47,614	(55,820)

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

Cash and cash equivalents - beginning of period	--	103,43
	-----	-----
Cash and cash equivalents - end of period	47,614	47,61
	=====	=====

Supplemental Cash Flow and Other Disclosures (Note 13)

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

5

Sky Harvest Energy Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2013
(Expressed in US Dollars)
(Unaudited)

1. Organization and Description of Business

Sky Harvest Energy 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, development of its business plan for the exploration and development of wind power projects in Canada and manufacturing and selling wind turbines. On August 13, 2013, the Company changed its name from "Sky Harvest Windpower Corp." to "Sky Harvest Energy Corp."

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.

On July 5, 2013, the Company entered into an asset purchase agreement whereby the Company acquired all the property, assets and undertaking of the vertical axis wind turbine manufacturing and sales business as a going concern, including all intellectual property rights, leasehold interests in two manufacturing facilities and related equipment, client and contact lists, and unfulfilled purchase orders. In connection with the asset acquisition, the Company has incorporated a wholly-owned subsidiary under the name "Sky Vertical Technologies Inc." ("Sky Vertical") which holds the assets and will undertake operations.

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, 2013, the

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

Company has accumulated losses of \$7,352,113 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., Sky Harvest - Saskatchewan and Sky Vertical. All significant intercompany transactions and balances have been eliminated. The Company has elected a May 31 year-end.

b. Interim Financial Statements

The interim unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Securities and Exchange Commission ("SEC") Form 10-Q. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended May 31, 2013, included in the Company's Annual Report on Form 10-K filed on October 16, 2013, with the SEC.

6

Sky Harvest Energy Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2013
(Expressed in US Dollars)
(Unaudited)

2. Significant Accounting Policies (continued)

b. Interim Financial Statements (continued)

The consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the option of management, are necessary to present fairly the Company's financial position at November 30, 2013, and the results of its operations and cash flows for the six months ended November 30, 2013. The results of operations for the six months ended November 30, 2013, are not necessarily indicative of the results to be expected for future quarters or the full year.

3. Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect

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

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

	November 30, 2013	May 31, 2013		
Cost	Accumulated Depreciation	Net Carrying Value	Net Carrying Value	
-----	-----	-----	-----	
\$	\$	\$	\$	
Computer equipment	7,251	(6,311)	940	1,205
Asset under construction	36,052	--	36,052	--
Wind tower equipment	22,116	(22,051)	65	195
	65,419	(28,362)	37,057	1,400
	=====	=====	=====	=====

5. Intangible Assets

On July 5, 2013, the Company entered into an asset purchase agreement whereby the Company acquired various assets related to vertical axis wind turbine manufacturing. In connection with the acquisition, the Company has incorporated a wholly-owned subsidiary under the name Sky Vertical, which holds the assets and will undertake operations.

In consideration of the transfer of these assets, the Company agreed to pay a total of Cdn\$65,000 (paid), issue 650,000 shares (issued) of common stock of the Company, and grant incentive stock options to acquire up to 550,000 shares (issued) of common stock of the Company at a price of \$0.10 per share for a period of five years. In addition, the Vendors will receive 500,000 voting shares of Sky Vertical by the date that Sky Harvest files a prospectus or registration statement in any jurisdiction with a view to having its shares trade publicly on a recognized stock exchange or quotation system. As well, the Vendors are entitled to a royalty from the Company of \$200 for every vertical axis wind turbine that the Company sells for a period of ten years. The Company has recorded the assets at the cost of acquiring the assets of \$193,204.

6. Note Payable

During the year ended May 31, 2011, the Company received advances from third parties in the amount of \$60,324. During the year ended May 31, 2012, the Company repaid \$10,324. At November 30, 2013, advances of \$50,000 remain outstanding. The amount is unsecured, non-interest bearing and due on demand.

7

Sky Harvest Energy Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 November 30, 2013
 (Expressed in US Dollars)
 (Unaudited)

7. Preferred Stock

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

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

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, 2013, 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, 2013, there were 15,680,016 outstanding exchangeable shares (May 31, 2013 - 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.

8. Related Party Transactions

- a) During the six months ended November 30, 2013, the Company incurred \$28,875 (2012 - \$30,023) to a company controlled by the President and principal shareholder of the Company for management services. As at November 30, 2013, the Company is indebted to that company and the Company's President for \$117,528 (May 31, 2013 - \$86,520), which is non-interest bearing, unsecured and due on demand.
- b) On June 18, 2010, the Company entered into a loan agreement with a director for \$27,000 which is payable within six 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, 2013, accrued interest of \$13,992 was recorded. During the year ended May 31, 2011, the Company received an advance of \$66,854 (CDN\$71,000) from the same director. During the year ended May 31, 2012, the Company repaid \$37,664 (CDN\$40,000). During the six months ended November 30, 2013, the Company received an additional advance of \$9,708 (CDN\$10,310). At November 30, 2013, \$38,898 (CDN\$41,310) is unsecured, non-interest bearing and has no terms of repayment.
- c) During the six months ended November 30, 2013, the Company incurred \$38,444 (Cdn\$40,000) (2012 - \$nil) to the former manager of operations of Sky Vertical for management services. As at November 30, 2013, the Company is indebted to the former manager of operations for \$24,011 (Cdn\$25,500), which is non-interest bearing, unsecured and due on demand.
- d) As at November 30, 2013, the Company is indebted to the President of Sky Vertical for \$8,982, which represents asset purchase cost and other general and administration expense paid on behalf of the Company. The amount is non-interest bearing, unsecured and due on demand.
- e) As at November 30, 2013, the Company is indebted to a Director of Sky Vertical for an advance of \$23,527 (CDN\$25,000), which is non-interest bearing, unsecured and due on demand.
- f) On July 9, 2013, the Company issued 300,000 stock options to the President of Sky Vertical at a fair value of \$81,000.

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

9. Common Stock

- a) On July 5, 2013, the Company issued 650,000 shares of common stock at a fair value of \$71,500 pursuant to the asset purchase agreement described in Note 5.

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

- b) During the six months ended November 30, 2013, the Company received \$105,046 in subscriptions for 420,184 shares of common stock at \$0.25 per share. At November 30, 2013, the shares have not been issued and the amount is included in common stock subscribed.

8

Sky Harvest Energy Corp.
 (A Development Stage Company)
 Notes to the Consolidated Financial Statements
 November 30, 2013
 (Expressed in US Dollars)
 (Unaudited)

10. Stock Based Compensation

On September 11, 2009, the Company's board of directors adopted the 2009 Stock Option Plan ("2009 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 May 31, 2013, the Company had 1,650,000 shares of common stock available to be issued under the Plan.

On March 10, 2011, the Company's board of directors adopted the 2011 Stock Option Plan ("2011 Plan") which provides for the granting of stock options to acquire up to 5,000,000 common shares of the Company to eligible employees, officers, directors and consultants of the Company. At November 30, 2013, the Company had 360,000 shares of common stock available to be issued under the Plan.

On July 5, 2013, pursuant to the asset purchase agreement as described in Note 5, the Company granted 550,000 options under the 2011 Plan with immediate vesting to acquire 550,000 common shares at an exercise price of \$0.10 per share exercisable for 5 years and recorded stock-based compensation for the vested options of \$60,500, as cost of acquiring the intangible assets.

On July 9, 2013, the Company granted 200,000 stock options to an advisor of the Company and 300,000 stock options to the President of Sky Vertical with an exercise price of \$0.10 per share and exercisable for a period of five years. This grant is pursuant to the Company's 2011 Stock Option Plan. The Company recorded stock-based compensation of \$54,000 as consulting fees and \$81,000 as management fees.

The fair value for stock options vested during the three month period ended November 30, 2013 and 2012 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, 2013	Six months Ended November 30, 2012
	-----	-----
Expected dividend yield	0%	--
Risk-free interest rate	1.55%	--
Expected volatility	400%	--
Expected option life (in years)	5.00	--

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

	Weighted-		Aggregate
	Weighted	Average	

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

	Number of Options -----	Average Exercise Price -----	Contractual Term (years) -----	Remaining Intrinsic Value -----
		\$		\$
Outstanding: May 31, 2013	4,173,334	0.20		
Granted	1,050,000	0.10		
	-----	----		
Outstanding: November 30, 2013	5,223,334	0.18	2.80	249,550
	=====	=====	=====	=====
Outstanding: November 30, 2013	5,223,334	0.18	2.80	249,550
	=====	=====	=====	=====

At November 30, 2013, there was \$nil of unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the 2009 Plan and 2011 Plan.

9

Sky Harvest Energy Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2013
(Expressed in US Dollars)
(Unaudited)

11. Joint Venture

On February 3, 2012, the Company and its joint venture partner incorporated a British Columbia corporation under the name Levant Energy Inc. ("Levant") for the purposes of developing underground natural gas storage plants in the Republic of Turkey. The Company will initially hold a 65% interest in Levant by investing \$500,000. The investment is subject to certain conditions, including completion of further equity or debt funding in order to finance acquisition. The Company's joint venture partner will hold the remaining 35% interest in Levant. At November 30, 2013, the Company and its joint venture partner have not made any contribution to Levant and operations have not yet begun.

12. Commitments and Contingencies

a) On April 5, 2006, the Company's wholly-owned subsidiary, Sky Harvest - Saskatchewan, entered into a Saskatchewan Wind Energy Lease agreement, whereby the lessor granted to Sky Harvest - Saskatchewan the right to use certain lands for development and operation of a wind powered electrical generating facility for the conversion of wind energy into electrical energy. The Company agreed to pay the lessors \$2,500 per turbine installed on the land and a 1% royalty on all revenue generated from wind energy on the leased lands. Pursuant to the agreement, the term of the lease shall commence on that date (the "Commencement Date") upon which the Company commences generating and selling electricity through the operation of turbines on the leased lands, and shall end on the 25th anniversary of the Commence Date. The agreement was amended on November 1, 2011. Pursuant to the amendment, in the event that the Commencement Date has not occurred by September 30, 2008, then the Company shall either abandon the lease or pay the sum of Cdn\$5,000 per month as a delay rental to keep the lease in good standing up to and including the month in which the Commencement date occurs. The Cdn\$5,000 monthly delay rental is only payable when the Company commences generating and selling electricity and will not be accrued until the Commencement Date. All payments due and owing as of November 1, 2011 shall accrue and be paid in full within 30 days of the Commencement Date.

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

If the Commencement Date has not occurred by December 31, 2016, then the lessors have the right to terminate the agreement upon notice in writing to the Company. At November 30, 2013, the Company has accrued \$110,085 (May 31, 2013 - \$110,085) of lease payments.

- b) On April 15, 2009, the Company's wholly-owned subsidiary, Sky Harvest - Saskatchewan, entered into a Saskatchewan Wind Energy Lease agreement, whereby the lessor granted to Sky Harvest - Saskatchewan the right to use certain lands for development and operation of a wind powered electrical generating facility for the conversion of wind energy into electrical energy. The Company agreed to pay the lessors a 1% royalty on all revenue generated from wind energy on the leased lands. Pursuant to the agreement, the term of the lease shall commence on that date (the "Commencement Date") upon which the Company commences generating and selling electricity through the operation of turbines on the leased lands, and shall end on the 25th anniversary of the Commence Date. The agreement was amended on November 1, 2011. In the event that the Commencement Date has not occurred by September 30, 2010, the Company shall either abandon the lease or pay the sum of Cdn\$5,000 per month as a delay rental to keep the lease in good standing up to the and including the month in which the Commencement Date occurs. The Cdn\$5,000 monthly delay rental is only payable when the Company commences generating and selling electricity. All payments due and owing as of November 1, 2011 shall accrue and be paid in full within 30 days of the Commencement Date. If the Commencement Date has not occurred by December 31, 2016, then the lessors have the right to terminate the agreement upon notice in writing to the Company. At November 30, 2013, the Company has accrued \$40,000 (May 31, 2013 - \$40,000) of lease payments.
- c) 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, 2013, and May 31, 2013, the fair value of the 15,000 shares issuable was \$6,750 and is included in common stock subscribed.

10

Sky Harvest Energy Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2013
(Expressed in US Dollars)
(Unaudited)

12. Commitments and Contingencies (continued)

- d) On February 3, 2012, the Company entered into a consulting agreement with a consultant. Pursuant to the agreement, the consultant will introduce the Company potential acquisition and investment opportunities in the energy sector, as well as any related sectors. If the Company completes an acquisition of any interest in any company or assets as a result of the consultant's introduction to investment opportunity, the Company shall pay the consultant a success fee equal to 10% of the value of the transaction in shares of the Company's common stock. The Company may also pay such success fees in cash, or a combination of shares and cash. If the Company completes transactions as a result of the consultant's introductions with an aggregate value of at least \$3,000,000, including any concurrent financings, the consultant shall have the option to cause the Company to enter into an employment agreement with him, join the Company's Board of Directors, and be appointed as the Company's President and Chief Executive

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

Officer. The term of the agreement is three years.

- e) On July 5, 2013, the Company's wholly-owned subsidiary, Sky Vertical, entered into an employment agreement with its manager of operations whereby Sky Vertical agreed to pay a monthly salary of Cdn\$10,000. The base salary will increase effective on each anniversary of the effective date of this agreement by at least 2% of the base salary in effect at the time. The manager of operations shall be entitled to participate in Sky Vertical's incentive stock option plan when adopted and be entitled to be granted 20% of the total stock options available. The employment agreement was terminated effective November 4, 2013.
- f) On November 12, 2013, the Company commenced legal action against the vendors of the asset purchase agreement, as described in Note 5, seeking a declaration that it owns the assets described in the agreement and that the vendors have breached the agreement, as well as seeking general damages. At November 30, 2013, the vendors have assigned one of the four patent applications to the Company in accordance with the terms of the agreement, but have failed to assign the second, third and fourth patents and have not delivered all equipment related to the vendors' vertical axis turbine business that was sold to the Company pursuant to the agreement.
- g) On October 31, 2013, the Company entered into a sale agreement, whereby the Company agreed to sell its interest in assets relating to its wind power project located in Southwestern Saskatchewan, including its leasehold interests in approximately 15,000 acres of land, accumulated wind power data, environmental assessment studies, and meteorological tower. In consideration for the assets, the purchaser has agreed to pay a purchase price in three instalments comprised of \$672,000, representing third party development costs incurred, payable within 30 days following execution of a power purchase agreement ("PPA"), a first success fee of \$25,000 per megawatt of contracted capacity under the PPA and payable upon financial close, and a second success fee of \$25,000 per megawatt of contracted capacity under the PPA and payable within 30 days of the commencement of commercial operations. If the purchaser is unable to execute a PPA by December 19, 2019, it will return the assets to the Company for nominal consideration.

13. Supplemental Cash Flow and Other Disclosures

	Accumulated from February 25, 2005 (Date of Inception) to November 30, 2013	For the Six months Ended November 30, 2013
	----- \$	----- \$
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	--
Stock issuance for finders fee	8,250	--
Stock issuance for intangible assets	71,500	71,500
Stock options issued for intangible assets	60,500	60,500
	-----	-----

Sky Harvest Energy Corp.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
November 30, 2013
(Expressed in US Dollars)
(Unaudited)

14. 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. Subsequent to the fiscal period ended November 30, 2013, 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, 2013. 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 Energy Corp., a Nevada corporation and its subsidiaries.

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

CORPORATE OVERVIEW

We were incorporated in the State of Nevada on February 25, 2005. We are a development stage company in the business of manufacturing and selling vertical axis wind turbines, as well as acquiring interests in land for the purpose 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 we commence selling vertical axis wind turbines, which will require additional funding.

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, 2013, which are included herein.

	Three months ended November 30,			
	2013	2012	Increase/ (Decrease)	
	-----	-----	-----	-----
	\$	\$	\$	%
Revenue	0	0	0	N/A
Expenses	100,970	49,942	51,028	102.2%
Foreign exchange (gain) loss	14,871	8,633	6,238	72.3%
Interest income	0	0	0	N/A
	-----	-----	-----	-----
Net Loss	115,841	58,575	57,266	97.8%
	=====	=====	=====	=====

13

	Six months ended November 30,			
	2013	2012	Increase/ (Decrease)	
	-----	-----	-----	-----
	\$	\$	\$	%
Revenue	0	0	0	N/A
Expenses	301,820	112,827	188,993	167.5%
Foreign exchange (gain) loss	32,316	(41,938)	74,254	N/A
Interest income	0	(9)	9	N/A
	-----	-----	-----	-----
Net Loss	334,136	70,880	263,256	371.4%
	=====	=====	=====	=====

REVENUES

We recorded a net operating loss of \$115,841 for the fiscal quarter ended November 30, 2013 and have a comprehensive loss of \$7,329,386 since inception. We have had no operating revenue since our inception on February 25, 2005 through to the fiscal quarter ended November 30, 2013. 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, 2013 and 2012 are outlined below:

	Three months ended November 30,			
	2013	2012	Increase/ (Decrease)	
	-----	-----	-----	-----
	\$	\$	\$	%
Consulting fees	9,611	0	9,611	N/A
Engineering and development	1,670	17,086	(15,416)	(90.2%)

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

Management fees	34,821	15,184	19,637	129.3%
Professional fees	16,602	8,084	8,518	105.4%
General and administrative	38,266	9,588	28,678	299.1%
	-----	-----	-----	-----
Net Operating Loss	100,970	49,942	51,028	102.2%
	=====	=====	=====	=====

	Six months ended November 30,			
	2013	2012	Increase/ (Decrease)	
	-----	-----	-----	
	\$	\$	\$	%
Consulting fees	63,611	0	63,611	N/A
Engineering and development	2,837	32,691	(29,854)	(91.3%)
Management fees	149,557	30,022	119,535	398.2%
Professional fees	29,640	29,943	(303)	(1.0%)
General and administrative	56,175	20,171	36,004	178.5%
	-----	-----	-----	-----
Net Operating Loss	301,820	112,827	188,993	167.5%
	=====	=====	=====	=====

Consulting expenses increased by \$9,611 in the three month period ended November 30, 2013 compared to the three month period ended November 30, 2012, and by \$63,611 in the six month period ended November 30, 2013 compared to the six month period ended November 30, 2011. The increase in consulting fees relates to the commencement of our vertical axis wind turbine manufacturing business.

Engineering and development expenses decreased by \$15,416 in the three month period ended November 30, 2013 compared to the three month period ended November 30, 2012, and by \$29,854 in the six month period ended November 30, 2013 compared to the six month period ended November 30, 2012. This increase is a result of a decline in development and maintenance work on our Saskatchewan wind power projects.

14

Management fees increased by \$19,637 in the three month period ended November 30, 2013 compared to the three month period ended November 30, 2012, and by \$119,535 in the six month period ended November 30, 2013 compared to the six month period ended November 30, 2012. This increase relates to the commencement of our vertical axis wind turbine manufacturing business.

Professional fees, consisting primarily of legal and accounting costs, increased by \$8,518 in the three month period ended November 30, 2013 compared to the three month period ended November 30, 2012, and decreased by \$303 in the six month period ended November 30, 2013 compared to the six month period ended November 30, 2012. Thus, for the six month period, our professional fees have remained virtually unchanged from the comparable period in the prior fiscal year.

General and administrative expenses increased by \$28,678 in the three month period ended November 30, 2013 compared to the three month period ended November 30, 2012, and by \$36,004 in the six month period ended November 30, 2013 compared to the six month period ended November 30, 2012. The increase in general and administrative expenses relates to the commencement of our vertical axis wind turbine manufacturing business.

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.

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

Company has not, to the date of this report, utilized derivative instruments to offset the impact of foreign currency fluctuations.

INTEREST INCOME

We generated nominal interest of \$9 in the six month period ended November 30, 2012. 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, 2013, and May 31, 2012, our fiscal year end, and the changes for on those dates are summarized as follows:

WORKING CAPITAL

	November 30, 2013 -----	May 31, 2013 -----	Increase/(Decrease) -----	
	\$	\$	\$	%
Current Assets	61,197	110,319	(49,122)	(44.5%)
Current Liabilities	502,218	389,213	113,005	29.0%
	-----	-----	-----	-----
Working Capital	(441,021)	(278,894)	(162,127)	N/A
	=====	=====	=====	=====

The \$162,127 decrease in our working capital position from May 31, 2013, the date of our most recently fiscal year end, to November 30, 2013 was primarily due to a decrease in our cash position and an increase in amounts due to our directors and officers.

15

CASH FLOWS

	Six months ended November 30,		
	2013 -----	2012 -----	Increase/(D -----
	\$	\$	\$
Cash Flows from (used in) Operating Activities	(122,102)	5,575	(127,677)
Cash Flows provided by (used in) Investing Activities	(71,614)	(1,660)	(69,954)
Cash Flows provided by Financing Activities	105,046	49,500	55,546
Effect of exchange rate changes on cash	32,845	(46,983)	79,828
	-----	-----	-----
Net increase (decrease) in cash during period	(55,825)	6,432	62,257
	=====	=====	=====

During the six months ended November 30, 2013, we used net cash flows from operating activities in the amount of \$122,102.

The \$105,046 in cash flows provided by financing activities during the six months ended November 30, 2013 consisted of private placement subscription funds advanced to us.

DISCLOSURE OF OUTSTANDING SHARE DATA

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

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, 2013	4,173,334	0.20
Granted	1,050,000	0.10
	-----	-----
Outstanding: November 30, 2013	5,233,334	0.18
	-----	-----
Exercisable: November 30, 2013	5,233,334	0.18
	=====	=====

FUTURE FINANCINGS

We recorded a comprehensive loss of \$108,531 for the three month period ended November 30, 2013 and have an accumulated deficit of \$7,329,386 since inception. As of November 30, 2013 we had cash and cash equivalents totaling \$47,614 (May 31, 2014 - \$103,439).

As of the date of this report, management anticipates that we will require approximately \$750,000 to fund our corporate operations and wind power property development program for the next 12 months. As well, we will require approximately an additional \$500,000 to cover our current outstanding liabilities. Accordingly, we do not have sufficient funds to meet our planned expenditures over the next 12 months.

16

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

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

condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

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, 2013, 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 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, 2013 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 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

17

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, 2013, our internal control over financial reporting was not subject to any changes.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the quarter, the Company commenced a legal action in the Supreme Court of British Columbia against the vendors of the vertical axis wind turbine business that it acquired seeking a declaration that it owns the assets described in the asset purchase agreement and that the vendors have breached the agreement. The Company also seeks general damages.

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

The vendors have assigned one of the four patent applications to the Company in accordance with the terms of the Asset Purchase Agreement, but have failed to assign the three other patents and have not delivered all equipment related to the vendors' vertical axis wind turbine business that was sold to us pursuant to the asset purchase agreement.

One of the vendors, Barry Ireland, has terminated his employment agreement with the Company and takes the position that the Company breached the asset purchase agreement by failing to provide the required consideration. The Company's position is that all consideration due to the vendors pursuant to the asset purchase agreement has been paid.

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. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

18

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
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	10.3	10-QSB	January 14

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

Private Placement for Non-US Subscribers

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
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
19			
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,
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	32.1		

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

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

Interactive Data Files pursuant to Rule 405 of Regulation S-T.

101

20

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 ENERGY 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 14, 2014

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

21