

CATCH THE WIND LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine month periods ended September 30, 2010

November 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine month periods ended September 30, 2010

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, financial condition and cash flows of Catch the Wind Ltd. ("CWL"), Catch the Wind, Inc. ("CTW") and CTW's 75% owned subsidiary, Falcon Fifty LLC, for the three and nine month periods ended September 30, 2010. For the purposes of this MD&A, CTW and CWL are sometimes collectively referred to as the "Company". This MD&A should be read in conjunction with the consolidated financial statements of CWL as defined in the unaudited interim financial statements ended September 30, 2010, and the notes thereto. All statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are expressed in US dollars. These statements are prepared in accordance with National Instrument 51-102F1, and have been reviewed and approved by the Company's Board of Directors prior to filing and should be read in conjunction with the Company's audited consolidated financial statements and related notes as at and for the year ended December 31, 2009, which have been prepared in accordance with GAAP, and the Company's annual Management Discussion and Analysis dated April 12, 2010. The effective date of this MD&A is November 29, 2010, and is current to that date, unless otherwise stated.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this MD&A, particularly statements regarding future economic performance and finances, plans, expectations and objectives of management, may constitute "forward-looking" statements which reflect the Company's current views with respect to future events and financial performance. When used in this MD&A, such forward-looking statements use words such as "may", "will", "expect", "believe", "anticipate", "plan", "intend", "estimate", "project", "continue" and other similar terminology of a forward-looking nature or negatives of those terms. These forward-looking statements are based on certain assumptions by management, certain of which are set out herein. The forward-looking statements appearing in this MD&A reflect current expectations regarding future events and operating performance and speak only as of the date of this MD&A.

Although management believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors and should not be read as guarantees of future performance or results. Accordingly, there are or will be a number of significant factors which could cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual future results, performance or achievements to differ materially include, but are not limited to, those factors identified in the 'Risk Factors' section of the filing statement the Company filed with regulatory authorities on September 9, 2008 (the "Filing Statement"). Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to accurately predict and many of which are beyond the Company's control. Past performance is no guarantee of future performance. The Company cannot predict all of the risk factors, nor can it assess the impact, if any, of such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company disclaims any intention or obligation to publicly update or revise any forward-looking statements after distribution of this MD&A, whether as a result of new information, future events or other circumstances, except as may be required pursuant to applicable securities laws.

Additional risk factor discussion can be found in the Company's continuous disclosure filings, reports and other filings with securities commissions and regulatory authorities in Canada and filed under the Company's profile on SEDAR at www.sedar.com.

Overview of Our Business

CTW's business is to develop, manufacture and sell products based on laser Doppler velocimetry technology developed by and licensed from Optical Air Data Systems, LLC ("OADS"), a Virginia limited liability company. CTW operated as an unincorporated entity and affiliate of OADS for the period from its inception on January 1, 2008 until March 18, 2008, when it was incorporated under the laws of the Commonwealth of Virginia.

CTW's primary product, the Vindicator® remote wind sensing system (the "Vindicator"), is a fiber optic laser sensing system that is capable of measuring real-time horizontal and vertical wind speed and direction data at varying ranges ahead of the sensor location. This system, located internally and on the surface of the wind turbine nacelle, will sense winds at ranges up to 300 meters. The Vindicator's forward-looking wind sensors read the approaching wind and control the wind turbine proactively to enable optimal turbine operation. When the Vindicator is integrated with a turbine's control system, the result is increased efficiency, greater power production and reduced stress loads on turbine blades and other key components, which should reduce maintenance costs during the life of the turbine.

CTW's product line also includes Racer's Edge® laser wind sensor ("Racer's Edge") and the WindSeeker™ line of laser wind sensors ("WindSeeker"). Racer's Edge and the WindSeeker are miniaturized hand-held versions of CTW's precision laser wind sensing technology that measures wind speed and direction at a distance of up to 1000 meters. The Racer's Edge is for use in sailing, boating and other sporting events where knowledge of wind conditions is a contributing factor to performance. The WindSeeker is compact, rugged and easy to transport and designed for wind prospecting, rapid resource assessment and turbine performance monitoring.

The Company's business is carried on in the name of "Catch the Wind, Inc." CTW is a wholly owned subsidiary of Catch the Wind Ltd. In June 2010, CWL completed a corporate re-domestication from Delaware to the Cayman Islands for the purpose of achieving greater flexibility in future financings. In connection therewith, the ".s" designation on the Company's trading symbol was removed. The re-domestication was not completed for any tax-related reasons. The re-domestication resulted in shareholders of CWL holding shares in a Cayman Islands exempted company.

The Company operates in one reportable segment. Substantially all of the Company's assets are located in the United States of America.

On July 6, 2009, CTW became a 75% equity owner in Falcon Fifty LLC, an entity created for the purpose of providing aviation management services. The remaining 25% equity interest in Falcon Fifty LLC is held by Tristar Aviation LLC ("Tristar"), a company whose principal members are an officer and a director of the Company.

During the second quarter of 2010, the Company determined that it had commenced its principal commercial operations and was no longer a development stage enterprise. The Company's continued existence is dependent upon the Company achieving profitable operations, and/or the ability of the Company to obtain additional financing, on acceptable terms, when necessary. The Company completed a private placement on November 29, 2010 generating gross proceeds of CDN\$8,679,680. The proceeds will be used for production optimization of the Vindicator, sales, marketing and customer trials, and for general working capital purposes. The Company has incurred significant operating losses since inception and expects to incur an operating loss for the year ended December 31, 2010. There is no guarantee that the Company's operations will yield positive results in the future.

As of September 30, 2010, management of OADS held a majority of the ownership interests in OADS and also directly or indirectly owned or controlled 25,000,000 common shares, or approximately 44% of CWL. As of November 29, 2010, management of OADS directly or indirectly owns or controls 26,470,588 common shares, or approximately 33% of CWL. OADS and CWL are under significant influence and OADS is considered a related party for purposes of accounting under CICA Handbook Section 3840 "Related Party Transactions".

Overall Performance

A summary of performance for the three and nine months ended September 30, 2010 is as follows:

- The Company determined it had entered the commercialization stage and was no longer a development stage company effective June 15, 2010. For the quarter and nine months ended September 30, 2010, the Company recognized revenue of \$7,500 related to the leasing of a Racer's Edge unit.
- The net loss for the three and nine month periods was \$4,107,475 and \$11,769,344, respectively;
- Cash and cash equivalents totaled \$3,205,831 as at September 30, 2010;
- Total assets were \$18,654,032 as at September 30, 2010.

Operating Highlights for the three and nine months ended September 30, 2010:

- At the end of the third quarter, the Company commenced an operational review which resulted in taking specific actions in the fourth quarter intended to lower particular related party expenses and improve operating cash flow. These actions included amending a services agreement with a certain related party to provide for a flat fee arrangement, offering the Falcon 50 aircraft for charter or lease to third-parties and listing CTW's member interest in Falcon Fifty LLC for sale. See Related Party Transactions on page 14 below.
- Appointment of a senior financial executive with more than 20 years of experience in the investment banking and energy sectors, as an independent director of the Company and Chairman of the Audit Committee.
- Appointment of acting Chief Financial Officer with more than 25 years of public and private accounting experience.
- On November 29, 2010, the Company completed a private placement offering of 17,316,359 units and 5,665,588 shares of the Company generating total gross proceeds of CDN\$8,679,680. Net proceeds from the offering will be used for production optimization of the Vindicator, sales, marketing and customer trials, and for general working capital purposes. Each share was priced at CDN \$0.34. Each unit consists of one share priced at CDN\$0.39 and one common share purchase warrant. Each warrant entitles the holder to purchase one-half of one common share of the Company at an exercise price of CDN\$0.55 for a period of up to two years from the closing date of the private placement.
- In September 2010, the Company announced that it granted AXYS Technologies Inc. an exclusive license to combine and integrate the Vindicator with custom AXYS marine floating platforms, and to sell the bundled products worldwide for maritime wind resource assessment applications. The exclusive license expands on a previously announced agreement signed by both companies. Under the terms of the five-year licensing agreement, AXYS has agreed to purchase a minimum of 47 Vindicators units over the five year term of the agreement in accordance with an agreed upon schedule.
- In July 2010, the Company signed a sales agreement with enXco, Inc., an EDF Energies Nouvelles Company, for a Vindicator unit. The sales agreement provides for the purchase of additional units upon successful performance of the unit as confirmed by a third-party evaluator of the results of the test program.
- In June 2010, the Company signed a sales agreement with BP Wind Energy North America, Inc. for two Vindicator units. The sales agreement provides for the purchase of additional units upon successful performance of units as confirmed by a third-party evaluator of the results of the test program.
- On April 20, 2010, the Company completed a private placement of 2,576,000 units, at a price of CDN \$2.00 per unit, comprised of one common share of the Company and one common share purchase warrant entitling the

holder to purchase one half of one common share at an exercise price of CDN \$2.20 per share for a period of up to two years from the closing date of the private placement. The private placement generated gross proceeds of CDN \$5,152,000.

- In March 2010, the Company entered into a sales agreement with one of the world's leading manufacturers of wind turbines for the purchase of a Vindicator unit.
- The Company announced in March 2010 that the Wind Energy Institute of Canada (WEICan), Canada's leading research institute for wind energy systems, completed its final performance testing of a Vindicator beta unit. The Phase II test results demonstrated that the Vindicator was able to successfully control the wind turbine rotor direction in alignment with the oncoming wind for increased energy output.
- The Company announced in January 2010 that with its Racer's Edge and Vindicator products, it was named an official supplier of the BMW ORACLE Racing team during the 33rd America's Cup in February 2010 in Valencia Spain.

Selected Annual Financial Information

Results of Operations

The table below presents selected financial information for the three and nine months ended September 30, 2010 and 2009. The information in these tables has been derived from the unaudited interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2010. Each investor should read the following information in conjunction with those statements and related notes. The financial information for the three and nine months ended September 30, 2010 has been prepared by management in accordance with Canadian GAAP and is expressed in US dollars.

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Statement of Operations Data:				
Revenue	\$ 7,500	\$ -	\$ 7,500	\$ -
Expenses:				
Salaries and benefits	248,880	589,293	1,738,049	1,711,690
General and administrative	604,501	206,813	1,946,856	737,959
Inventory writedown – beta units	519,781	2,160,559	1,851,619	2,781,937
Amortization	565,809	74,296	1,033,154	144,846
Sales and marketing	21,168	54,628	348,982	226,504
Consulting fees	212,668	63,509	491,777	281,984
Professional fees	410,017	122,949	1,354,789	313,768
Professional engineering fees	790,236	343,222	1,985,677	1,350,308
Research and development	717,747	34,030	999,843	34,030
Interest expense, long-term debt	80,030	-	242,572	-
Interest expense, leases	12,555	24,968	40,863	45,727
Interest income	(3,414)	(52,345)	(17,106)	(78,630)
Foreign currency loss (gain)	2,943	(12,731)	6,436	(109,545)
	4,182,921	3,609,191	12,023,511	7,440,578
Loss before non-controlling interest	(4,175,421)	(3,609,191)	(12,016,011)	(7,440,578)

	Three months ended September 30, 2010 (unaudited)	Three months ended September 30, 2009 (unaudited)	Nine months ended September 30, 2010 (unaudited)	Nine months ended September 30, 2009 (unaudited)
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Non-controlling interest	(67,946)	(16,500)	(246,667)	(16,500)
Net loss and comprehensive loss	(4,107,475)	(3,592,691)	(11,769,344)	(7,424,078)

Supplemental Financial Data

Loss per share	\$ (0.07)	\$ (0.07)	\$ (0.21)	\$(0.16)
Weighted average number of shares outstanding	57,509,972	54,806,165	56,454,536	46,270,480

Balance Sheet Data

	As at September 30, 2010 (unaudited)	As at December 31, 2009
Cash and cash equivalents	\$3,205,831	\$10,616,065
Working Capital (Current assets less current liabilities)	\$2,766,516	\$10,109,972
Total Assets	\$18,654,032	\$24,964,097
Total Liabilities	\$7,817,544	\$7,013,519
Total Shareholders' equity	\$10,699,121	\$17,767,665

Cash Flow Information (unaudited)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months Ended September 30, 2010	Nine months ended September 30, 2009
Operating activities	\$ (3,361,476)	\$ (3,188,905)	\$ (11,253,205)	\$ (8,633,387)
Investing activities	38,720	(5,727,294)	(638,176)	(7,720,390)
Financing activities	(88,302)	4,653,641	4,481,147	21,900,819
Net cash inflows (outflows)	(3,411,057)	(4,262,558)	(7,410,234)	5,547,042
Cash and cash equivalents, beginning of period	6,616,889	18,953,367	10,616,065	9,143,767
Cash and cash equivalents, end of period	\$ 3,205,831	\$ 14,690,809	\$ 3,205,831	\$14,690,809

Revenue

For the three and nine month periods ended September 30, 2010, the Company recognized revenue of \$7,500. The revenue represents a rental fee charged for a Racer's Edge unit. From inception until June 15, 2010, CTW was a development stage company and, accordingly, had not recognized any revenues or commenced its principal commercial operations.

Expenses

Operating expenses for the quarter and nine months ended September 30, 2010 were \$4,182,921 and \$12,023,511, respectively, compared to \$3,609,191 and \$7,440,578 for the quarter and nine months ended September 30, 2009, respectively. These expenses consisted largely of salaries and wages, professional engineering fees associated with the development of the Company's products, consulting and professional fees, research and development expense, sales and marketing expenses, expenses associated with the operation of the Falcon 50 aircraft, and general and administrative expenses. Also included in operating expenses for the three and nine month periods ended September 30, 2010 is amortization expense of \$565,809 and \$1,033,154, respectively, of which \$334,800 and \$390,600, respectively represents amortization of capitalized project development costs for the three and nine month periods ended September 30, 2010. For the quarter and nine months ended September 30, 2010, the Company also recorded inventory write-downs on the Company's beta units of \$519,781 and \$1,851,619, respectively, compared to \$2,160,559 and \$2,781,937 for the quarter and nine months ended September 30, 2009. The increase in operating expenses is attributable to overall growth in the Company as it has progressed from a development stage to a commercial stage enterprise.

Salaries and benefits expense for the three and nine months ended September 30, 2010 was \$248,880 and \$1,738,049, respectively, compared to \$589,293 and \$1,711,690 for the quarter and nine months ended September 30, 2009, respectively. Included in salaries and benefits expense for the quarter and nine months ended September 30, 2010 is non-cash stock option compensation expense of \$(342,033) and \$(62,383) respectively, compared to \$135,740 and \$334,416 for the quarter and nine months ended September 30, 2009, respectively. The credit to stock option compensation expense for the quarter and nine months ended September 30, 2010 results from the impact of the decline in the Company's stock price on the variable accounting treatment of consultants' stock options. Excluding stock option compensation expense, salaries and benefits expense for the quarter and nine months ended September 30, 2010 increased \$137,360 and 423,158, respectively, compared to the comparable periods in 2009 due to the addition of personnel, primarily engineers, to support the Company's growth.

General and administrative expense was \$604,501 and \$1,946,856 for the three and nine months ended September 30, 2010, respectively, compared to \$206,813 and \$737,959 for the three and nine months ended September 30, 2009, respectively. General and administrative expense includes travel and travel related expenses, repairs and maintenance, legal settlements, equipment, board of directors' expenses and other office and corporate expenses. Travel and travel related expenses comprised \$326,332 and \$986,543 of general and administrative expense for the three and nine months ended September 30, 2010, respectively. This compares to travel and travel related expenses of \$70,056 and \$189,986 for the three and nine months ended September 30, 2009, respectively. The increase in general and administrative costs in the third quarter of 2010 as compared to the same period in 2009 is primarily due to growth in travel and travel related expenses, legal settlement expense associated with employment matters and an increase in equipment purchases. On a year-to-date basis, the increase in general and administrative costs for 2010 as compared to the same period in 2009 is primarily due to growth in travel and travel related expenses; repairs and maintenance costs, including maintenance costs for the Falcon 50 aircraft; and legal settlement expense associated with employment matters. Travel expenses include all travel associated with trade shows, business development, customer visits, site installations, and investor meetings. Expenses associated with operating the Falcon 50 aircraft are consolidated within the applicable categories of general and administrative expense. The Company did not begin consolidating Falcon Fifty LLC until the third quarter of 2009. It is expected that current levels of general and administrative expense will be maintained during the remainder of 2010.

Inventory valuation adjustments for the Company's Vindicator beta, Racer's Edge and WindSeeker beta units for the quarter and nine months ended September 30, 2010 totaled \$519,781 and \$1,851,619, respectively, compared to \$2,160,559 and \$2,781,937 for the quarter and nine months ended September 30, 2009, respectively, as the Company applied the measurement section of CICA Section 3031 "Inventories". The Company has reduced the

carrying value of each beta unit to its net realizable value, which is the amount the Company expects to realize from the sale of a unit. The beta units are currently being manufactured in the Company's pilot manufacturing facility and the cost of producing a unit is higher than the amount expected to be realized from the sale of a unit, resulting in a write-down. Production costs are higher than what is expected when the Company moves into full production at an outsourced facility where the Company anticipates more favorable labor rates and volume discounts on material purchases. The inventory valuation adjustment was higher in the quarter and nine months ended September 30, 2009 due to the Company producing a larger number of Vindicator units in 2009. Inventory valuation adjustments may continue through the remainder of 2010 as additional inventory units are completed prior to transitioning to outsourced production.

Amortization expense was \$565,809 and \$1,033,154 for the quarter and nine months ended September 30, 2010, respectively, compared to \$74,296 and \$144,846 for the quarter and nine months ended September 30, 2009, respectively. During 2009, the Company executed leases for technical equipment required for the development and manufacture of the Vindicator beta units, and in the quarter ended September 30, 2009 began consolidating the amortization of the Falcon 50 aircraft owned by Falcon Fifty LLC. Amortization of the Falcon Fifty LLC fixed assets account for \$90,936 and \$272,264 of total amortization for the quarter and nine months ended September 30, 2010, respectively, compared to \$9,852 for the quarter and nine months ended September 30, 2009. Amortization expense for the quarter and nine months ended September 30, 2010 also includes \$334,800 and \$390,600, respectively of amortization related to the project development costs intangible asset. The Company commenced amortizing the intangible asset on June 16, 2010 over its expected useful life of five years.

Sales and marketing expense totaled \$21,168 and \$348,982 for the quarter and nine months ended September 30, 2010, respectively, compared to \$54,628 and \$226,504 for the quarter and nine months ended September 30, 2009, respectively. Sales and marketing costs were higher in the quarter ended September 30, 2009 as compared to the same quarter in 2010 due to trade show expenses. For the nine month period ended September 30, 2010, sales and marketing expense increased compared to the nine months ended September 30, 2009 primarily due to expenses related to a print advertising campaign. It is expected that sales and marketing expense will increase for the remainder of 2010 as compared to the current quarter due to trade shows attended in the fourth quarter.

Consulting expense was \$212,668 and \$491,777 for the quarter and nine months ended September 30, 2010, respectively, compared to \$63,509 and \$281,984 for the quarter and nine months ended September 30, 2009, respectively. The increase in consulting expense for the three and nine-month periods of 2010 as compared to 2009 is due to personnel augmentation required to support the Company's growth. It is expected that consulting expenses will increase for the remainder of 2010 due to additional personnel augmentation required to support the Company's business.

Professional fees totaled \$410,017 and \$1,354,789 for the quarter and nine months ended September 30, 2010, respectively, compared to \$122,949 and \$313,768 for the quarter and nine months ended September 30, 2009, respectively. Professional fees include accounting and legal costs, investor relations, public relations and other professional services. The increase for the quarter and nine months ended September 30, 2010 compared to the same period last year is primarily due to legal costs, public relations and business development expenses, audit and accounting fees, and recruiting expense. Legal expenses were inflated in 2010 due to the corporate re-domestication to the Cayman Islands and litigation related to a former employee that was resolved during the quarter. It is expected that professional fees will decrease in the fourth quarter.

Professional engineering fees were \$790,236 and \$1,985,677 for the quarter and nine months ended September 30, 2010, respectively, compared to \$343,222 and \$1,350,308 for the quarter and nine months ended September 30, 2009, respectively. Professional engineering fees consist of engineering support costs, including field installation and production support, charged to the Company by OADS and have increased over the comparable periods in 2009 due to the progression of the Company's business and commercialization initiatives. It is expected that professional engineering fees will decrease in the fourth quarter of 2010. Per an amendment effective October 1, 2010 to the Company's original Services Agreement with OADS dated September 3, 2008, OADS will charge CTW for technical, research and development and administrative support at a fixed price per month. The fixed price will be reviewed quarterly by CTW and OADS, and adjusted if required based upon forecasted support needs. According to the terms of the original Services Agreement, OADS' services were billed to CTW on a time and materials basis. At

no time will the fixed price exceed what fees would have been in any applicable quarter on a time and materials basis.

Research and development expense was \$717,747 and \$999,843 for the quarter and nine months ended September 30, 2010, respectively compared to \$34,030 for the quarter and nine months ended September 30, 2009. For the quarter and nine months ended September 30, 2010, research and development expenses consisted of labor charges from OADS subcontractors of \$625,589 and \$827,236 respectively; materials costs of \$46,642 and \$98,012, respectively; and third party consulting fees and other expenses of \$45,516 and \$74,595, respectively. Engineering efforts are focused on reducing Vindicator production costs and enhancements to the turbine control features of the product. Through June 15, 2010, the Company's development costs related to the Vindicator, which totaled \$6,696,945, were capitalized as project development costs on the Company's balance sheet. Effective June 16, 2010, the Company ceased capitalization of Vindicator development costs and commenced expensing them on the consolidated statement of operations, in accordance with accounting guidance. It is expected that research and development expense will decrease in the fourth quarter due to the above referenced amendment to the Services Agreement with OADS. The entirety of the Company's development costs is currently recorded as expense.

Interest expense on long term debt was \$80,030 and \$242,572 for the quarter and nine months ended September 30, 2010, respectively (2009 – nil). Interest expense for leases was \$12,555 and \$40,863 for the quarter and nine months ended September 30, 2010, respectively, compared to \$24,968 and \$45,727 for the quarter and nine months ended September 30, 2009, respectively. The interest expense on long-term debt relates to the Falcon 50 aircraft owned by Falcon Fifty LLC. Interest payments on the Falcon 50 aircraft commenced in November 2009. During 2009, the Company executed interest-bearing leases for technical equipment required for the development and manufacture of the Vindicator beta units. It is expected that interest expense will continue at current levels for the remainder of 2010.

Non-controlling interest for the quarter and nine months ended September 30, 2010 was \$(67,946) and \$(246,667), respectively, compared to \$(16,500) for the quarter and nine months ended September 30, 2009, respectively. In the third quarter of 2009, CTW became a 75% equity owner of Falcon Fifty LLC, an entity created by CTW and Tristar to provide aviation management services. Tristar is a company whose members are an officer and a director of the Company and is considered a related party. Non-controlling interest represents Tristar's 25% share of Falcon Fifty LLC's net loss.

The net loss and comprehensive loss for the quarter and nine months ended September 30, 2010 was \$4,107,475, or \$(0.07) per share, and \$11,769,344, or \$(0.21) per share, respectively, compared to a net loss and comprehensive loss for the quarter and nine months ended September 30, 2009 of \$3,592,691, or \$(0.07) per share, and \$7,424,078, or \$(0.16) per share, respectively.

The Company recorded a valuation allowance against the full value of its future tax assets at September 30, 2010, and accordingly, did not reflect any future income tax benefit in its consolidated statements of loss and comprehensive loss for the period.

Project Development Costs - Intangible Assets

At September 30, 2010, net capitalized project development costs recorded on the Company's consolidated balance sheet were \$6,306,345, as compared to \$5,889,286 at December 31, 2009. Amortization of \$334,800 and \$390,600 related to the intangible asset was recorded for the quarter and nine months ended September 30, 2010, respectively. The Company determined that the Project Development Cost asset had reached the condition necessary for it to be capable of operating in the manner intended by management on June 15, 2010, and accordingly, recognition of costs in the carrying amount of the intangible asset ceased as of that date. Capitalized project development costs relate entirely to the development of the Vindicator product and consist of labor charges from OADS subcontractors of \$4,874,117, materials costs of \$599,623 and third party consulting fees and other expenses of \$1,223,205 as of the date capitalization ceased. At December 31, 2009, capitalized development included labor charges from OADS subcontractors of \$4,168,246, materials costs \$564,055 of and third party consulting fees and other expenses of \$1,156,985. The Company commenced amortizing the project development costs intangible asset over its estimated useful life of five years on June 16, 2010.

Summary of Quarterly Results

The following table highlights selected unaudited financial information for the Company on a consolidated basis for the last eight quarters. The information has been derived from the Company's quarterly unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the consolidated financial statements and are reviewed and approved by the Company's Board of Directors. The Company's quarterly operating results have varied in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

------(Unaudited)-----

(In thousands, U.S. dollars)

	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09	Q3 FY09	Q2 FY09	Q1 FY09	Q4 FY08
Statement of Operations								
Revenue	8	-	-	-	-	-	-	-
Net loss	(4,107)	(4,449)	(3,213)	(4,155)	(3,593)	(2,147)	(1,684)	(1,469)
Earnings (loss) per share	(0.07)	(0.08)	(0.06)	(0.08)	(0.07)	(0.05)	(0.04)	(0.04)
Cash Flow Information								
Operating activities	(3,362)	(4,283)	(3,609)	(3,616)	(3,189)	(3,120)	(2,200)	(2,015)
Investing activities	39	(359)	(318)	(381)	(5,727)	(680)	(1,313)	(1,510)
Financing activities	(88)	4,652	(83)	(78)	4,654	17,259	(137)	42
Net cash inflow (outflow)	(3,411)	10	(4,010)	(4,075)	(4,262)	13,459	(3,650)	(3,483)
Cash, beginning of period	6,617	6,606	10,616	14,691	18,953	5,494	9,144	12,627
Cash, end of period	3,206	6,617	6,606	10,616	14,691	18,953	5,494	9,144

------(Unaudited)-----

	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09	Q3 FY09	Q2 FY09	Q1 FY09	Q4 FY08
Balance sheet information								
(In thousands U.S. dollars; unaudited)								
Working capital	2,767	\$6,902	\$6,858	\$10,110	\$14,382	\$19,290	\$4,879	\$7,925
Total assets	18,654	\$22,204	\$22,409	\$24,964	\$28,595	\$26,826	\$11,379	\$12,586
Shareholders' equity	10,699	\$15,149	\$14,824	\$17,768	\$21,319	\$24,689	\$9,456	\$11,032

Liquidity and Capital Resources

At September 30, 2010, the Company's principal source of liquidity was cash and cash equivalents of \$3,205,831. The Company's consolidated long-term debt obligation consists of Falcon Fifty LLC's note in the original amount of \$4.6 million for the purchase of a Falcon 50 aircraft. The ten-year note bears a fixed interest rate of 7.17% per annum. One hundred twenty consecutive monthly installments of \$40,649 became due commencing November 1, 2009, with a balloon payment of \$2,300,000 due with the final installment. In 2009, the Company executed interest-bearing capital leases for technical equipment required for the development and manufacture of the Vindicator beta units.

During the quarter and nine months ended September 30, 2010, cash used in operating activities was \$3,361,476 and \$11,253,205, respectively, compared to cash used in operating activities of \$3,188,905 and 8,633,387 for the quarter and nine months ended September 30, 2009, respectively. The increase in cash used by operating activities for the third quarter and nine months of 2010 compared to the same periods last year is principally attributable to growth in professional fees, Company personnel, administrative costs, travel costs, research and development and professional engineering fees and sales and marketing expense.

Cash provided by investing activities for the quarter ended September 30, 2010 was \$38,720 compared to cash used of \$5,727,294 for the quarter ended September 30, 2009. Investing activities used cash of \$638,176 for the nine months ended September 30, 2010, compared to cash used of \$7,720,390 for the nine months ended September 30, 2009. Investing activities in the nine months ended September 30, 2010 consisted primarily of product development costs related to the development of the Vindicator beta units. Project development costs used cash of \$807,659 for the nine months ended September 30, 2010 compared to \$550,345 and \$2,357,476 for the quarter and nine months ended September 30, 2009, respectively. The Company capitalized Vindicator development costs through June 15, 2010. Cash used for product development is included in operating activities subsequent to that date. Purchase of capital assets, which includes test and manufacturing equipment and furniture and fixtures, used cash of \$14,163 and \$31,639 for the quarter and nine months ended September 30, 2010. For the quarter and nine months ended September 30, 2009, purchase of capital assets used cash of \$5,372,842 and \$5,558,807, primarily due to the purchase of the Falcon 50 aircraft. Non-controlling interest related to Falcon Fifty LLC provided cash of \$52,883 and \$201,122 for the quarter and nine months ended September 30, 2010, respectively, compared to \$195,893 for the quarter and nine months ended September 30, 2009.

Financing activities used cash of \$88,302 and provided cash of \$4,481,147 for the quarter and nine months ended September 30, 2010, respectively, compared to cash provided of \$4,653,641 and \$21,900,819 for the quarter and nine months ended September 30, 2009, respectively. Cash used by financing activities for the third quarter of 2010 is attributable to payments of capital lease obligations and repayments of long-term debt associated with the Falcon 50 aircraft. Cash provided by financing activities for the nine months ended September 30, 2010 is attributable to proceeds from the private placement transaction completed in April 2010. Cash provided from financing activities during the nine months ended September 2009 is primarily attributable to proceeds from the completion of the private placement in the second quarter of 2009, which provided gross proceeds of \$17,288,862, and the financing of the Falcon 50 aircraft in the third quarter of 2009, which provided \$4,600,000.

The Company's principal uses of cash since inception have been for the development and manufacture of the Vindicator, Racer's Edge and WindSeeker beta units, general and administrative activities and capital expenditures. Going forward, additional funds will be needed for continued engineering efforts, customer support, sales and marketing, and manufacturing expenses as the Company accelerates its commercialization efforts. The Company anticipates capital expenditures related to commencement of the production and assembly of the Vindicator at an outsourced manufacturing facility in 2011. There are no other significant capital expenditures presently contemplated other than as disclosed in the Company's public filings or as required in connection with normal operating requirements.

Financing Transaction

On November 29, 2010, the Company completed a private placement offering of 17,316,359 units ("November 2010 Units") and 5,665,588 common shares of the Company generating aggregate gross proceeds of CDN\$8,679,680. Net proceeds from the offering will be used for production optimization of the Vindicator, sales, marketing and customer trials, and for general working capital purposes. Each November 2010 Unit was priced at C\$0.39 and is comprised of one common share of the Company and one common share purchase warrant (the "November 2010 Warrants"). Each whole November 2010 Warrant entitles the holder to purchase, subject to adjustment in accordance with its terms, one half of one common share of the Company at an exercise price of CDN\$0.55 per whole share at any time within 24 months from the closing of the offering. Certain purchasers under the offering elected to purchase common shares only. In that case, each such common share was priced at CDN\$0.34 per share. The agents for the private placement received a commission of: (a) 6% of the aggregate gross proceeds raised under the brokered portion of the offering; and (b) compensation options entitling the agents to acquire, in the aggregate, 6% of the respective number of common shares and units issued to subscribers under the brokered portion of the offering, with the compensation options exercisable into one common share at a price of CDN \$0.34 per share, and one unit at a price of CDN \$0.39 per unit, as applicable. The compensation options will be exercisable for a period of 24 months from the closing of the offering. Each unit will be comprised of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase, subject to adjustment in accordance with its terms, one half of one common share of the Company at an exercise price of CDN \$0.55 per whole share at any time within 24 months from the closing of the offering.

On April 20, 2010, the Company completed a private placement of 2,576,000 units (the "April 2010 Units"), each at a price of CDN\$2.00, generating gross proceeds of CDN\$5,152,000. Each April 2010 Unit is comprised of one common share of the Company and one common share purchase warrant (the "April 2010 Warrants"). Each whole April 2010 Warrant entitles the holder to purchase, subject to adjustment in accordance with its terms, one half of one common share of the Company at an exercise price of CDN\$2.20 per whole share at any time within 24 months from the closing of the offering. Agents for the private placement received a commission of 6.0% of the gross proceeds raised under the offering, substantially paid in the form of 150,000 April 2010 Units of the Company at CDN\$2.00 per April 2010 Unit, with such April 2010 Units having the same terms and conditions as those issued to purchasers under the offering. Placement costs totaling \$422,555 were offset against the proceeds of the private placement. Net proceeds recorded to equity in connection with the private placement were \$4,677,926.

Until the Company is able to generate significant revenue and achieve profitable operations, it will continue to rely on equity and debt financing to fund its cash requirements. The Company has incurred significant operating losses since inception and expects to incur an operating loss for the year ended December 31, 2010. There is no guarantee that the Company's operations will yield positive results in the future.

Commitments, Contingencies and Off-Balance Sheet Arrangements

As at September 30, 2010, the Company had no commitments for material capital expenditures, no contingencies and no off-balance sheet arrangements, except for the office space sublease disclosed in Note 10 to the consolidated financial statements. As also disclosed in Note 10 to the consolidated financial statements for the quarter and nine months ended September 30, 2010, the Company has a commitment to make guaranteed minimum royalty payments to OADS under the terms of a Licensing Agreement between the Company and OADS dated September 3, 2008 (the "Licensing Agreement").

The Company is occasionally named as a party in various claims and legal proceedings, which arise during the normal course of its business. The Company is not aware of any claims or potential claims that could have a material adverse effect on the Company.

Transactions with Related Parties

As noted earlier in this MD&A, CWL and OADS share common ownership. As such, CWL and OADS are under significant influence and OADS is considered a related party for purposes of accounting under CICA Handbook Section 3840 – “Related Party Transactions”.

As disclosed in Note 10 to the consolidated financial statements of CWL for the quarter and nine months ended September 30, 2010, CTW and OADS have executed the Licensing Agreement, a services agreement, and a sublease agreement for office and support space. Under the terms of the services agreement between the CTW and OADS dated September 3, 2008 (the "Services Agreement"), the Company relies upon OADS to provide it with engineering, and research and development services related to the technology licensed by CTW from OADS under the Licensing Agreement, as well as general administrative support. Per the Licensing Agreement, the Company will pay to OADS an annual running royalty calculated as a percentage on net sales of royalty product by the Company or a sublicensee. CTW has a commitment to make guaranteed minimum royalty payments to OADS under the terms of the Licensing Agreement as disclosed in Note 10 of the consolidated financial statements for the quarter and nine months ended September 30, 2010.

As disclosed in Note 15, Subsequent Events, to the consolidated financial statements for the quarter and nine months ended September 30, 2010, effective October 1, 2010, CTW amended the Services Agreement with OADS dated September 3, 2008, under which it engaged OADS, on a non-exclusive basis, to provide technical assistance and other services to the Company. Under the terms of the original Services Agreement, OADS' services are billed to CTW on a time and materials basis. Per the amendment, OADS will charge CTW for the technical and administrative support at a fixed price per month. The fixed price will be reviewed quarterly by CTW and OADS, and adjusted if required based upon forecasted support needs. At no time will the fixed price exceed what fees would have been in any applicable quarter on a time and materials basis. The audit committee of the board of directors will be briefed annually by the Company on the fixed price rate charged by OADS and the price competitiveness of that rate, and will provide oversight of the quarterly fixed price review.

As disclosed in Note 10 of the consolidated financial statements, effective October 30, 2009, CTW executed with OADS a sublease renewal agreement (the "Sublease Renewal Agreement"). The Sublease Renewal Agreement renewed the original sublease agreement (the "Sublease Agreement") dated September 1, 2008, between CTW and OADS pursuant to which CTW leased certain office and support space from OADS for a period of one year. The Sublease Renewal Agreement renews the Sublease Agreement for a term of two years commencing as of September 1, 2009 and ending August 31, 2011. Rent for 1,657 square feet of leased space is payable at the rate of \$22.66 per square foot during the first year of the renewal term and \$23.34 per square foot during the second year of the renewal term.

Effective July 8, 2010, CTW extended the term of the Sublease Renewal Agreement with the execution of a sublease renewal extension agreement ("the Sublease Renewal Extension Agreement") with OADS. Per the Sublease Renewal Extension Agreement, the Sublease Renewal Agreement is extended for nine years commencing September 1, 2011 until August 31, 2020. During the extension term, rent shall be payable by CTW to OADS at a rate equal to the current fair market value per square foot as at September 1, 2011, to be mutually agreed by the parties, with an annual escalation of three percent (3%) per year beginning on September 1, 2012 and every year thereafter during the remainder of the Extension Term. If CTW and OADS do not come to an agreement in writing by August 31, 2011 regarding a fair market value rental rate, the Sublease Agreement, as renewed by the Sublease Renewal Agreement and as further extended by the Sublease Renewal Extension Agreement, shall terminate.

As disclosed in Note 11 to the consolidated financial statements, in the third quarter of 2009, OADS and CTW executed a purchase agreement whereby OADS agreed to purchase certain hardware from CTW. The hardware, which consisted of two modified Vindicator beta units, was purchased by OADS to fulfill its customer contractual obligations. Proceeds from these initial sales were netted against capitalized development costs as was required by the Company's then status as a development stage enterprise.

Transactions recorded under all the agreements between the Company and OADS are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

Falcon Fifty LLC

On July 6, 2009, CTW became a 75% equity owner in Falcon Fifty LLC, an entity created for the purpose of providing aviation management services. The remaining 25% equity interest in Falcon Fifty LLC is held by Tristar, a company whose principal members are an officer and a director of the Company. On September 21, 2009, Falcon Fifty LLC and its members executed an agreement to purchase a Falcon 50 aircraft for \$5 million. Falcon Fifty LLC made an initial deposit of \$400,000 and executed a ten-year note in the amount of \$4,600,000 for the purchase of the Falcon 50 aircraft. The note bears a fixed interest rate of 7.17% per annum. One hundred and twenty consecutive monthly installments of \$40,649 became due commencing November 1, 2009, with a balloon payment of \$2,300,000 due with the final installment on November 1, 2019. The note is collateralized by the Falcon 50 aircraft with a carrying value of \$4,955,745 as of September 30, 2010. The aircraft has been recorded as a fixed asset on the financial statements of Falcon Fifty LLC and is being depreciated using the straight-line method over an estimated useful life of fifteen years. The aircraft was purchased in order to improve the efficiency of the Company's business operations and accelerate its business plan, and is used to transport the Company's engineering staff, laser sensor units, and requisite installation and maintenance equipment to remote locations in support of business development, customer support and field trial activities, as well as for other business purposes.

On June 22, 2010, in connection with the CWL Cayman Islands re-domestication and in order to comply with Federal Aviation Administration regulations concerning citizenship requirements for aircraft registered in the United States, Tristar and CTW executed an amendment to the original July 6, 2009 Falcon Fifty LLC operating agreement. Per the amendment, Tristar became the manager of Falcon Fifty LLC and gained voting rights such that it holds a 75% share of total voting rights, while retaining its 25% membership interest. Conversely, CTW's voting rights were reduced to a 25% share, while it retained its 75% membership interest. As a result, CTW no longer holds the majority of voting interests enabling it to control the strategic policies of Falcon Fifty LLC. However, any change in the managers of Falcon Fifty, including the addition of new managers, or any sale or other disposition of any aircraft owned by Falcon Fifty, including the Falcon 50 aircraft, requires approval by greater than 80% of the votes of all members of Falcon Fifty. In accordance with accounting guideline AcG-15, the Company continues to include the operations of Falcon Fifty LLC in its consolidated financial statements from July 6, 2009, as it is considered the "primary beneficiary" and will absorb the majority of Falcon Fifty LLC's expected losses or receive a majority of Falcon Fifty LLC's returns.

As reported in Note 15, Subsequent Events, to the consolidated financial statements for the quarter and nine months ended September 30, 2010, effective October 15, 2010, Falcon Fifty LLC entered into an aircraft operating agreement with an aircraft charter company to engage the charter company to operate the Falcon 50 aircraft as a Federal Aviation Regulation Part 135 Air Charter when the aircraft is not being used by a member of Falcon Fifty LLC. The charter arrangement is subject to Federal Aviation Administration approval. In addition, Falcon Fifty LLC is actively pursuing leasing the aircraft under Federal Aviation Regulation Part 91, independent of the aircraft charter agreement.

As also disclosed in Note 15, on October 1, 2010, CTW management committed to a plan to sell its 75% membership interest in Falcon Fifty LLC. Tristar intends to retain its 25% membership interest. CTW's membership interest was listed for sale with a third-party aircraft broker in October 2010. CTW intends to sell its membership interest if it is able to do so on terms it deems acceptable. There can be no assurance that CTW's interest can be sold on terms acceptable to CTW, and CTW will retain its interest if acceptable terms are not reached on any proposed sale.

Due to/from Related Party

At September 30, 2010 and December 31, 2009, the Company owed a balance of \$901,097 and \$355,685, respectively, to OADS for labor charges and administrative costs. Included in accounts receivable at September 30, 2010 and December 31, 2009, is a balance of \$2,453 and \$27,771, respectively, due from OADS to the Company for the cost of materials and third-party consultants paid for on behalf of OADS. Included in accounts receivable at September 30, 2010 is a balance of \$4,813 due from Tristar, as compared to \$79,212 at December 31, 2009.

Contractual Obligations and Indebtedness

The Company's consolidated contractual obligations relate to long-term debt, guaranteed minimum royalty payments and lease payments as summarized below. The Company had no other indebtedness or off-balance sheet arrangements as at September 30, 2010.

The table below summarizes the future cash flow requirements for consolidated lease, royalty and long-term debt obligations as at September 30, 2010:

	------(Unaudited)-----					
Contractual Obligations (in US Dollars)	Total	2010	2011	2012	2013	2014 and beyond
Operating leases	\$35,452	\$9,669	\$25,783	-	-	-
Capital lease obligations	\$318,598	\$60,608	\$216,123	\$41,867	-	-
Long-term debt	\$6,690,135	\$121,948	\$487,793	\$487,793	\$487,793	\$5,104,808
Royalties (1)	\$1,750,000	-	\$250,000	\$500,000	\$500,000	\$500,000
Total Contractual Obligations	\$8,794,185	\$192,225	\$979,699	\$1,029,660	\$987,793	\$5,604,808

(1) Per the Licensing Agreement between the Company and OADS, the Company will pay to OADS an annual running royalty calculated as a percentage on net sales of royalty product by the Company or a sublicensee. A guaranteed minimum royalty payment of \$500,000 per year, payable in equal quarterly installments, on or before March 31, June 30, September 30 and December 31 as an advance for the following quarterly period, is due each year after the date of first sale (prorated for any partial year), less any running royalties paid during the year. The date of first sale is defined in the agreement as the earlier to occur of three years after September 3, 2008, or the date as of when an aggregate of one hundred units of royalty product, as defined in the agreement, have been sold by the Company. As the royalty is perpetual and therefore the total obligation cannot be calculated, this table includes \$500,000 for year 2014 in the column entitled "2014 and beyond".

CRITICAL ACCOUNTING POLICIES

This summary should be read in conjunction with our consolidated financial statements.

Future Accounting Changes

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. This standard establishes principles and requirements of the acquisition method for business combinations and related disclosures and states that all assets and liabilities of an acquired business will be recorded at fair value. The standard is effective for business combinations for which the acquisition date is on or after January 1, 2011, with earlier adoption permitted.

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which replace existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standards are effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted.

Revenue Recognition

In December 2009, the CICA issued EIC 175, "Multiple Deliverable Revenue Arrangements", replacing EIC 142, "Revenue Arrangements with Multiple Deliverables." This abstract provides updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated and the consideration allocated; requires, in situations where a vendor does not have vendor-specific objective evidence (VSOE) or third party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; eliminates the use of residual method and requires an entity to allocate revenue using the relative selling price method; and requires expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. This EIC is effective for future years beginning on or after January 1, 2011.

The Company is currently evaluating the impact the adoption of these new standards will have on its consolidated financial statements.

Convergence of Canadian GAAP and International Financial Reporting Standards

In February 2008, the CICA announced that Canadian publicly accountable enterprises would adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective January 1, 2011. The Company's interim and annual consolidated financial statements for 2011 under IFRS will require, for comparative purposes, that the amounts previously reported under Canadian GAAP for the year ended December 31, 2010 be restated. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company has commenced its transition to IFRS. The Company's transition process consists of three phases: Phase 1, Scope and Plan; Phase 2, Design and Build; and Phase 3, Implement and Review. The objective of Phase 1 was to perform a detailed review and initial scoping of accounting differences between Canadian GAAP and IFRS and to determine, at a high-level, the impact of IFRS to current reporting and the entire organization. The Company has completed this phase and has identified and prioritized the areas of IFRSs which are expected to impact the business.

The objective of Phase 2 is to prepare for IFRS conversion by making policy and disclosure choices and designing IFRS compliant financial statements. It also requires determining and designing any required changes to the Company's controls, processes & systems. Developing IFRS reporting expertise is a key element of Phase 2 of the Company's transition plan.

The Company is in the process of completing Phase 2. The Company is developing IFRS expertise in-house as well as utilizing external advisors, and will conduct staff training as needed. Management has analyzed the choices regarding alternative treatments permitted in specific areas of certain standards under IFRS 1 *First-time Adoption of*

International Financial Reporting Standards, which is mandatory guidance for all first-time adopters of IFRSs. The Company has made some preliminary decisions in this regard.

- *Business Combinations; IFRS 3*, allows an entity that conducted prior business combinations to apply the standard on a prospective basis from the transition date of January 1, 2010. The Company does not have any previous business combinations but intends to apply the standard prospectively.
- *Fair value or revaluation as deemed cost; International Accounting Standard (“IAS”) 16, IAS 40 and IAS 38*, allows an entity to measure individual items of property, plant and equipment; investment property and intangible assets (provided there is an active market for the intangibles) at fair value at the transition date of January 1, 2010, and then use the fair value as the basis for the opening balance sheet. The Company does not intend to make this election to restate the carrying value of its capital assets at transition.
- *Share-based payment transactions; IFRS 2*, allows an entity to avoid full retrospective application of certain transactions depending on the grant, vesting and/or settlement date of the awards. The Company currently intends to make this election and will be required to apply IFRS only to stock-based awards that are unvested at the transition date of January 1, 2010.
- *Borrowing costs; IAS 23*, allows an entity to apply the transitional provisions of IAS 23 in lieu of full retrospective application. The Company does not have any previous borrowing costs but intends to make this election on a prospective basis from the transition date of January 1, 2010.

The Company has identified other key areas where changes in financial statement presentation and disclosures are expected. Management is in the process of quantifying the expected differences between IFRS and the current accounting treatment under Canadian GAAP and financial statement templates are being designed. The Company expects the following standards to have the greatest potential impact to its accounting policies, financial reporting and information systems requirements upon conversion.

- *Presentation of financial statements; IAS 1*, Certain classifications are different under IFRS, resulting in a different format for the financial statements compared to those prepared under Canadian GAAP. The Company is analyzing the impact of the classification and presentation changes on its consolidated financial statements.
- *Leases; IAS 17*, The Company is reviewing all of its existing leasing arrangements to identify if there are any classification differences between finance and operating leases. For all finance leases, the Company is reviewing the calculation to determine the present value of the minimum lease payments to ensure compliance with IAS 17.
- *Property, plant and equipment; IAS 16*, The Company is evaluating the potential impact of the componentization of all of its capital assets and other IAS 16 provisions. The Company is also reviewing additional disclosure requirements under IFRS and designing the enhanced note disclosure.
- *Share-based payment transactions; IFRS 2*, Implementing IFRS 2 will require the Company to modify aspects of how it accounts for its share-based payments under IFRS. For instance, the Company currently accounts for stock option forfeitures as they occur and IFRS 2 will require the Company to estimate the forfeiture rate at the date of the grant and recognize compensation expense based on management’s estimate of units that will eventually vest. The Company is currently evaluating and quantifying the impact the implementation will have on its consolidated financial statements.
- *Related Party Disclosures; IAS 24*, The Company is reviewing its disclosures to assess whether any changes are required with regard to related party transactions. It is also reviewing the IAS 24 disclosure requirements related to “key management personnel” to determine whether the appropriate level of disclosure is being provided.

- *Impairment of Assets; IAS 36*, The Company's accumulated development costs related to the Vindicator are classified as an intangible asset. The carrying value is tested at least annually for impairment, and under IFRS the Company will need to review for impairment on a quarterly basis. The Company will need to revise its intangible asset impairment review model to comply with IFRS requirements. The Company currently uses the undiscounted cash flow screen in its recoverability model under Canadian GAAP. Under IFRS, an impairment loss is measured as the amount by which the carrying amount of an asset exceeds its recoverable amount, defined as the higher of its fair value less costs to sell and its value in use. Value in use is calculated using discounted cash flows.
- *Construction contracts; IAS 11*, The completed contract method is not permitted under IAS 11. The Company will take IAS 11 into consideration for all sales contracts that contain multiple deliverables.
- *Revenue; IAS 18*, IAS 18 is under review with a substantially revised framework expected in 2011 and 2012. The Company will take IAS 18 into consideration for all sales contracts and will monitor the status of the project to amend IAS 18.

The final phase of the conversion process will be the Implement and Review phase, including executing any required changes to systems and processes and formally preparing, reviewing and approving the financial statements themselves. This phase will occur through 2011 as the Company prepares and issues its initial IFRS financial statements. However, the Company does not currently expect that adopting IFRS will have significant implications for its information technology and data systems, internal control over financial reporting, disclosure controls and procedures or other business activities.

The Company anticipates completing the project on schedule. The Company reports quarterly to the Audit Committee and full board of directors on the status of its IFRS conversion process.

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. The Company continues to monitor activities of the International Accounting Standards Board and the Canadian Accounting Standards Boards as well as Canadian regulatory developments, which may affect the timing, nature or disclosure of its adoption of IFRS.

There may be significant changes in financial condition that may occur, and in the nature and materiality of accounting policy choices that may be made by management, between the present date and the date of formal transition to IFRS, which is expected to be January 1, 2011. No inferences should be made about the individual or aggregate effects of the financial statement to IFRS until the Company publishes its opening IFRS balance sheet as at January 1, 2010 and related IFRS 1 disclosures, which may not occur until the first quarter of 2011.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

As a TSX Venture Exchange Issuer, the Company is not required to certify the design and evaluation of the Company's disclosure controls and procedures or internal controls over financial reporting, and the Company has not completed such an evaluation. Inherent limitations on the ability of the certifying officers of the Company to design and implement, on a cost-effective basis, disclosure controls and procedures or internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Share Capital

As at the date of this MD&A, CWL has 80,491,919 shares of common stock issued and outstanding and no shares of restricted voting shares or preferred stock outstanding; employee and consultant options to purchase 7,608,750 shares of common stock outstanding at prices ranging from CDN\$0.36 per share to CDN\$2.19 per share, and compensation options (issued to agents) to purchase 1,254,780 shares of common stock outstanding at prices ranging from CDN \$0.34 to CDN\$1.30 per share. Also outstanding are compensation options (issued to agents) exercisable into 1,038,981 units at a price of CDN\$0.39 per unit. Each unit, if purchased, will be comprised of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase, subject

to adjustment in accordance with its terms, one-half of one common share of the Company at an exercise price of CDN\$0.55 per whole share.

There are 19,892,359 warrants outstanding to purchase 9,946,180 shares of common stock at prices ranging from CDN \$0.55 per whole share to CDN \$2.20 per whole share.

Shares of the Company's common stock issued prior to the re-domestication remain "restricted securities" under the *U.S. Securities Act of 1933*, as amended (the "1933 Act"). In addition, the Company believes it may be deemed to have previously been an issuer with no or nominal operations and no or nominal assets other than cash and cash equivalents for the purposes of Rule 144 under the 1933 Act and, as a result, Rule 144 under the 1933 Act may not be available for resales of the Company's common shares.

Risk Factors

Given the speculative nature of the business of the Company, an investment in the shares of CWL should only be considered by those persons who can afford a total loss of their investment. The risks presented below should not be considered to be exhaustive and may not represent all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. A fuller description of these and other risks and uncertainties that you should carefully consider are detailed in the Filing Statement and in the Company's other public filings. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations. If any of the risks described below or in the Company's other public filings occur, the Company's business, financial condition, liquidity and results of operations could be materially harmed:

- (a) The Company has minimal operating history upon which its business can be evaluated. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. Such risks include the early stage development of the Vindicator and other laser-based wind sensor products, the Company's ability to anticipate and adapt to its marketplace, the ability to attract customers and meet its targeted growth plan, and the ability to identify, attract and retain qualified personnel.
- (b) Because the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing and market adoption/acceptance decisions, of a relatively consolidated customer base.
- (c) Certain duties within the Company's accounting and finance departments are not properly segregated due to the small number of individuals employed in these areas. These deficiencies may be considered to be a significant deficiency in internal control, or a material weakness resulting in a more than remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected.
- (d) The Company will require additional financing to fund growth in working capital, to make further investments, and/or to complete development and commercial production of its products. The ability of the Company to arrange such financing in the future will depend in part on prevailing capital market conditions and the financial success of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms, or at all.
- (e) Competition within the markets in which the Company operates is intense and is expected to increase in the future as the wind energy market matures. While the Company has few known competitors, some have longer operating histories and may possess greater financial and marketing resources. There is no assurance that the Company will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates.
- (f) Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business.

- (g) Any liability for damages resulting from defects in, or malfunctions, of the Company's products or other costs incurred to remedy problems relating to the Company's products, such as recalls, could be substantial and could increase the Company's expenses and prevent growth of its business. The Company's products will be sold with a warranty, which could expose the Company to significant warranty expenses. Furthermore, a defect in, or malfunction of, any of the Company's products could result in tort or warranty claims. A well-publicized actual or perceived problem could adversely affect the market's perception of the Company's products. This could result in a decrease in demand for the Company's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operations.
- (h) The Company has licensed the technology, which forms the basis of the Vindicator from OADS pursuant to the terms of the Licensing Agreement. In the event that the Company commits a material breach of its obligations under the Licensing Agreement or made any material misrepresentation in anticipation of entering into the Licensing Agreement and, after receiving notice of such breach or misrepresentation, the Company does not cure the relevant breach within sixty (60) days after receipt of such written notice, OADS may, at its discretion: (a) terminate the Licensing Agreement; and/or (b) terminate the licenses granted to the Company under the Licensing Agreement by giving written notice of termination to the Company. In addition, OADS may terminate the Licensing Agreement in the event of the bankruptcy or insolvency of the Company. If the Licensing Agreement is terminated prior to the expiration of any licensed patent or copyright, all rights granted to the Company under the Licensing Agreement shall cease and revert back to OADS, and the Company shall not be permitted to thereafter make, use, offer to sell, sell, or import any products derived from the licensed technology, including the Vindicator.
- (i) The Company has not conducted a comprehensive review of any of the patent applications that OADS has filed and cannot verify if the disclosure provided in the specification of each patent application is enabling and sufficient to obtain enforceable patent rights in such jurisdiction.
- (j) The Company has not conducted a freedom to operate or clearance assessment of its ability to use or exploit the patent rights or technology licensed under the Licensing Agreement in any market. Such an assessment might uncover patent or other rights owned by third parties that could delay or halt the Company's ability to proceed with certain features of its products, and if that were the case, the Company might not be able to obtain a license to, or design around, such third party rights, if any.
- (k) The Company is currently highly dependent on OADS for maintaining and enhancing the technology, which forms the basis of the Vindicator and any other products developed by the Company. In the event that OADS ceases for any reason to provide such services, or in the event of the termination of the Services Agreement, the Company may be unable to internally conduct its own research, development and engineering functions, and may be unable to reach satisfactory agreement with any other party to provide such services, which would have a material adverse effect on the Company's business, results of operations and financial condition.
- (l) The market for renewable energy products, specifically wind energy technology, is characterized by rapidly changing technology, evolving industry standards and increasingly diverse and sophisticated customer requirements. The introduction by competitors of products, which may use new technology and any emergence of new industry standards, could make the Company's products obsolete and unmarketable, or could exert price pressure on the Company's products. In order to succeed, the Company must be able to anticipate and respond quickly to such changes by developing or licensing new products or enhancing pre-existing technology. The Company cannot provide assurance that it will successfully develop or license new products or enhance pre-existing technology, that its products will receive market acceptance, or that the introduction of new products by others will not render the Company's technology and products obsolete. In order to remain competitive, the Company may be required to invest significantly greater resources than is currently projected in research and development and product enhancement efforts, which could result in increased operating expenses.
- (m) The Company's commercial success depends upon its ability to develop or license new or improved technologies and products, and to successfully obtain, defend or claim under license patent or other proprietary or statutory protection for these technologies and products in the U.S., the European Union and

other countries. The Company will devote significant resources to protecting its proprietary technology and the technology licensed to it under the terms of the Licensing Agreement with OADS. However, the Company may not be able to develop or license technology that is patentable, patents may not be issued in connection with its pending applications and allowed claims may not be sufficient to protect its technology or technology that it licenses from third parties, including OADS. Furthermore, any patents issued (whether owned by, or licensed to, the Company) could be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage.

- (n) To date, the Company has not manufactured any of its products, including the Vindicator, on a high-volume basis. To meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market its products, the Company will have to produce such products through large-scale, high-volume processes or outsource the production of these units to a qualified outsourcer.
- (o) The Company expects that its initial sales will be made to a concentrated group of customers such as wind farm operators, turbine manufacturers and wind resource assessment operators. The concentration of the Company's initial sales to a few customers could make the Company more vulnerable to collection risk if one or more of these customers were unable to pay for the Company's products. Also, having such a large portion of its total net revenue concentrated in a few customers could reduce the Company's negotiating leverage with these customers.

Additional Information

Additional risk factor discussion can be found in the 'Risk Factors' section of the Filing Statement and in the Company's continuous disclosure filings, reports and other filings with securities commissions and regulatory authorities in Canada and filed under the Company's profile on SEDAR at on SEDAR at www.sedar.com.