

CATCH THE WIND LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2009

April 12, 2010

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

For the year ended December 31, 2009

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 year ended December 31, 2009. 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 for the year ended December 31, 2009 and the notes thereto. All statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are expressed in US dollars. The effective date of this MD&A is April 12, 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 was incorporated under the laws of the Commonwealth of Virginia on March 18, 2008. CTW operated as an unincorporated entity and affiliate of Optical Air Data Systems, LLC ("OADS"), a Virginia limited liability company, for the period from its inception (on January 1, 2008) to March 17, 2008.

CTW was established as a separate entity on January 1, 2008 to develop, manufacture and sell products based on light detection and ranging (LIDAR) technology developed by OADS, including the Vindicator remote laser wind sensor ("Vindicator"). OADS chose to form a new entity for these activities effective January 1, 2008, as its other business activities, primarily contracting services for the U.S. government and others, involved different customers, activities and objectives. 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. 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 the Racer's Edge laser wind sensor ("Racer's Edge"), a hand-held device that provides wind speed and direction measurement data for use in sailing, boating and other sporting events where knowledge of wind conditions is a contributing factor to performance. The technology will similarly be integrated into other hand-held wind forecasting applications.

Pursuant to the terms of an acquisition agreement between Bayview Public Ventures Inc. ("Bayview") and CTW dated September 3, 2008, Bayview acquired all of the outstanding shares of common stock of CTW through a merger of CTW and a wholly owned subsidiary of Bayview (the "Qualifying Transaction"). For accounting purposes, the acquisition has been treated as a recapitalization of CTW with CTW as the acquirer (Reverse Takeover). On July 30, 2008 and in contemplation of the Qualifying Transaction, CTW undertook a private placement of subscription receipts for gross proceeds of (CDN) \$15,000,700. Each subscription receipt issued by CTW entitled the holder thereof to acquire one share of common stock of CTW prior to the completion of the Qualifying Transaction, which was subsequently exchanged for one common share of Bayview as part of the completion of the Qualifying Transaction. Upon completion of the private placement and the Qualifying Transaction, there were 38,046,784 shares of common stock of Bayview outstanding. In connection therewith, Bayview changed its name to "Catch the Wind Ltd."

As a result of the completion of the Qualifying Transaction, CTW became a wholly owned subsidiary of CWL. The Company's business is carried on in the name of "Catch the Wind, Inc.". The Company operates in one reportable segment. Substantially all of the Company's assets are located in the United States of America. Because the Qualifying Transaction is accounted for as a reverse takeover, this MD&A is based on the financial statements of CTW.

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, a company whose principal members are an officer and a director of the Company.

The Company's activities since inception have consisted primarily of company formation, capital raising, business development and marketing, prototype manufacturing and testing related to the Vindicator and Racer's Edge products and other organizational activities. To date, the Company has not recognized any revenues or commenced its principal commercial operations, and is therefore, considered to be in the development stage. For the year ended December 31, 2009, initial sales of \$282,696 were netted against capitalized project development costs as required by the Company's status as a development stage enterprise. The Company had net losses of \$(11,578,774) and \$(2,231,396) for the years ended December 31, 2009 and 2008, respectively. The Company's continued existence is dependent upon its ability to obtain sufficient financing to transition from a development stage to a commercial enterprise and to achieve profitable operations.

Management of OADS holds a majority of the ownership interests in OADS and also directly or indirectly owns or controls 25,000,000 common shares, or approximately 46% of CWL. OADS and CWL are, therefore, 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 year ended December 31, 2009 is as follows:

- The Company did not recognize revenue for the year ended December 31, 2009. Initial sales of three units totaling \$282,696 were netted against capitalized project development costs as required by the Company's status as a development stage enterprise.
- Net loss from operations for the year was \$(11,578,774);
- Cash and cash equivalents totaled \$10,616,065 as at December 31, 2009;
- Capitalized project development costs were \$5,889,286 as at December 31, 2009;
- Total assets were \$24,964,097 as at December 31, 2009;
- In May 2009, the Company completed a private placement of 16,743,000 common shares at a price of CDN \$1.30 per share, generating net proceeds of \$16,779,042 in U.S. dollars.

Operating Highlights:

- In December 2009, the Company announced the final results of its trial program with Nebraska Public Power District ("NPPD") to evaluate how using forward measurement of wind speed and direction can optimally align wind turbines with the approaching wind and reduce the off-axis stress loads on turbines. The preliminary results demonstrated that the Vindicator increased the energy output of a turbine by an average of 12.3 percent as a result of better alignment with oncoming wind and increased gust detection.
- In December 2009, the Company announced the successful completion of field trials of the WindSentinel™, an offshore wind assessment buoy mounted with the Vindicator. The Company previously announced in November 2009 that the Vindicator was deployed by AXYS Technologies ("AXYS") as part of the WindSentinel™ validation testing. Commercial launch of the WindSentinel™, which combines an AXYS floating platform with a Vindicator, is expected in 2010 following analysis of the validation test data. AXYS and the Company entered into an OEM distribution agreement in March 2009 pursuant to which AXYS was granted a license to combine and integrate the Vindicator with custom AXYS salt/fresh water fixed and floating platforms, and sell the bundled products worldwide. The WindSentinel™ is designed to assist offshore wind farm developers in determining the available wind resource at potential wind farm sites. It is a cost effective alternative to constructing permanent offshore meteorological towers, or "met masts," to collect wind speed and direction data.
- In September 2009, the Company signed a research and development agreement with Gamesa, a worldwide leading manufacturer of wind turbines. The two companies mutually agreed to determine the feasibility of using a Vindicator unit mounted on an operating Gamesa G8X 2.0 megawatt turbine for performing forward wind measurement functionalities. That evaluation is ongoing.
- In September 2009, the Company entered into a manufacturing services agreement pursuant to which it will outsource the production and assembly of the Vindicator to BreconRidge Corporation, a provider of collaborative design and manufacturing services based in Ottawa, Canada. The collaboration is designed to facilitate the Company's long-term growth. The Company believes that outsourced manufacturing will commence in the latter half of 2010.
- In August 2009, the Company signed an agreement to supply multiple Vindicator test units to Canadian Hydro Developers, Inc. ("CanHydro"), Canada's largest and most diversified renewable energy company, as part of a multi-unit trial. (Subsequent to the parties' entry into the agreement, CanHydro was acquired by TransAlta Corporation.) The trial program is designed to test the forward wind measurement and turbine

control capabilities of the Vindicator for proper alignment of a turbine against oncoming wind in order to reduce equipment stress and increase energy output. The trial enables the Company to collect and analyze wind data from different locations of a wind farm simultaneously, providing for a direct, side-by-side comparison with turbines not equipped with forward wind measurement capabilities. The trial is ongoing.

- In August 2009, the Company signed a Cooperative Research and Development Agreement with the National Renewable Energy Laboratory (“NREL”), the U.S. Department of Energy’s primary national laboratory for renewable energy and energy efficiency research and development. Under the terms of the research agreement, the Company will provide NREL with a test unit of the Vindicator for use for up to three years. NREL will evaluate how using the Vindicator for forward measurement of wind speed and direction to optimally align wind turbines and turbine blades can reduce stress loads on turbines and improve energy production output. The Company believes that the cooperative research initiative provides a tremendous opportunity to work with a pre-eminent wind energy research laboratory to fully develop the potential of the Vindicator for turbine control.
- In July 2009, the Company signed a trial program agreement with Hélimax Energy Inc., (“Helimax”), an independent consulting firm specializing in utility-scale wind energy project development, to test and compare the performance of the Vindicator with a meteorological tower. The Company believes that the testing will provide third-party validation of its laser wind sensing technology. The preliminary field trial with Helimax favorably demonstrated the correlation of wind speed and direction data captured by a beta version of the Vindicator with data measured by a meteorological tower at 85 meters above ground level.
- In 2009, the Company completed beta unit production of its Racer’s Edge product, a hand-held battery operated version of its laser wind sensor that provides wind speed and direction measurement data for use in sailing, boating and other sporting events where knowledge of wind conditions is a contributing factor to performance. The Company announced in January 2010 that with its Racer’s Edge product, 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 years ended December 31, 2009 and 2008. The financial information has been prepared by management in accordance with Canadian GAAP and is expressed in US dollars:

	2009	2008
Statement of Operations Data:		
Revenue	\$ -	\$ -
Expenses:		
Salaries and benefits	2,912,748	544,631
General and administrative	1,356,760	131,542
Inventory writedown – Beta units	4,016,127	-
Amortization	322,434	2,976
Sales and marketing	254,648	218,695
Consulting fees	389,687	187,846
Professional fees	574,666	253,531
Professional engineering fees	1,828,059	679,951
Research	111,394	154,398
Interest expense, long-term debt	91,719	-

Interest expense, leases	50,112	5,490
Interest income	(95,217)	(42,454)
Foreign currency (gain) loss	(109,459)	94,790
	<u>\$ 11,703,678</u>	<u>\$ 2,231,396</u>
Loss before non-controlling interest	\$ (11,703,678)	\$ (2,231,396)
Non-controlling interest	(124,904)	-
Net loss and comprehensive loss	\$ (11,578,774)	\$ (2,231,396)
Supplemental Financial Data		
Loss per share	\$ (0.24)	\$ (0.08)
Weighted average number of shares outstanding	48,441,552	28,717,440
Balance Sheet Data		
	2009	2008
Cash and cash equivalents	\$ 10,616,065	\$ 9,143,767
Working Capital (Current assets less current liabilities)	\$ 10,109,972	\$ 7,924,715
Total Assets	\$ 24,964,097	\$ 12,586,241
Total Liabilities	\$ 7,013,519	\$ 1,553,885
Total Shareholders' equity	\$ 17,767,665	\$ 11,032,356
Cash Flow Information		
Operating activities	\$ (12,249,249)	\$ (1,374,248)
Investing activities	(8,100,903)	(3,106,118)
Financing activities	21,822,450	13,624,133
Net cash inflows	1,472,298	9,143,767
Cash and cash equivalents, beginning of year	9,143,767	-
Cash and cash equivalents, end of year	<u>\$ 10,616,065</u>	<u>\$ 9,143,767</u>

Revenue

The Company is a development stage company and to date has not recognized any revenues or commenced its principal commercial operations. For the year ended December 31, 2009, initial sales of \$282,696 (2008-Nil) were netted against capitalized project development costs as required by the Company's status as a development stage enterprise.

Expenses

Operating expenses for the quarter and year ended December 31, 2009 were \$4,154,696 and \$11,578,774 respectively, compared to \$1,468,755 and \$2,231,396 for the quarter and year ended December 31, 2008, respectively. These expenses consisted largely of salaries and wages, professional engineering fees associated with the development of the Vindicator, consulting fees, sales and marketing expenses, expenses associated with the operation of the Falcon Fifty, and general and administrative expenses. Also included in operating expenses for the quarter and year ended December 31, 2009 were inventory valuation adjustments on the Company's beta units of \$1,234,190 and \$4,016,127, respectively. The Company had minimal operations in 2008.

Salaries and benefits expense for the quarter and year ended December 31, 2009 was \$1,201,058 and \$2,912,748, respectively, compared to \$432,589 and \$544,631, for the quarter and year ended December 31, 2008, respectively. The initial staffing of the Company commenced during the third quarter of 2008. Included in salaries and benefits expense for the quarter and year ended December 31, 2009 is stock option expense of \$602,930 and \$937,346, respectively, compared to \$102,083 and \$166,754 for the quarter and year ended December 31, 2008, respectively. Stock option expense for the quarter and year ended December 31, 2009 includes an entry to record additional stock compensation of \$141,057 associated with the variable accounting treatment of options issued to consultants of the Company for the fourth quarter of 2008 and the first three quarters of 2009. It is expected that salaries and benefits expense will increase from current levels during 2010 as the Company hires additional human resources to support its growth initiatives.

General and administrative expense was \$618,801 and \$1,356,760 for the quarter and year ended December 31, 2009 compared to \$81,610 and \$131,542 for the quarter and year ended December 31, 2008, respectively. General and administrative expense includes travel costs, repairs and maintenance, board of directors' expenses, telecommunication costs and other office expenses. It is expected that general and administrative expense will increase from current levels during 2010 to support overall business growth initiatives.

Inventory valuation adjustments for the Company's Vindicator beta and other laser based wind sensor beta units for the quarter and year ended December 31, 2009 totaled \$1,234,190 and \$4,016,127, respectively, as the Company applied the measurement section of CICA Section 3031 "Inventories". There were no inventory beta units in 2008. The Company has reduced the carrying value of each beta unit to its net realizable value, which is the targeted beta unit sales price. Since the beta units are being manufactured in the Company's facility, the costs of these units are higher than what is expected when the Company moves into full commercialization at an outsourced production facility. The Company anticipates more favorable labor rates and volume discounts on material purchases upon transfer to an outsourced production facility. It is expected that inventory valuation adjustments will continue as the remaining beta units are completed in 2010.

Amortization expense was \$177,588 and \$322,434 for the quarter and year ended December 31, 2009, respectively, compared to \$1,756 and \$2,976 for the quarter and year ended December 31, 2008, respectively. In 2009, the Company executed leases for technical equipment required for the development and manufacture of the Vindicator beta units, and in the third quarter began consolidating the amortization of the Falcon Fifty aircraft owned by Falcon Fifty LLC, a subsidiary of the Company. It is expected that amortization expense will increase in 2010 due to the full-year consolidation of Falcon Fifty LLC and the amortization of capitalized project development costs upon commencement of commercialization.

Sales and marketing expense totaled \$28,144 and \$254,648 for the quarter and year ended December 31, 2009, respectively, compared to \$25,617 and \$218,695 for the quarter and year ended December 31, 2008, respectively. It is expected that these costs will increase significantly as the Company transitions to the commercialization stage in 2010.

Consulting expense was \$107,703 and \$389,687 for the quarter and year ended December 31, 2009, respectively, compared to \$144,797 and \$187,846 for the quarter and year ended December 31, 2008, respectively. It is expected that consulting expenses will increase in 2010 from current levels to support overall business growth initiatives.

Professional fees totaled \$260,898 and \$574,666 for the quarter and year ended December 31, 2009, respectively, compared to \$175,735 and \$253,531 for the quarter and year ended December 31, 2008, respectively. Professional fees include accounting and legal costs, investor relations, public relations and other professional services. It is expected that professional fees will increase in 2010 as the Company transitions to a commercial stage enterprise.

Professional engineering fees during 2009 totaled \$477,751 and \$1,828,059 for the quarter and year ended December 31, 2009, respectively, compared to \$458,210 and \$679,951 for the quarter and year ended December 31, 2008, respectively. It is expected that professional engineering fees will continue at their current rate through 2010.

Research expense was \$77,364 and \$111,394 for the quarter and year ended December 31, 2009, respectively, compared to \$70,939 and \$154,398 for the quarter and year ended December 31, 2008, respectively. It is expected that research and development expense will significantly increase in 2010 when the Company ceases capitalization of Vindicator project development costs and begins expensing them on the consolidated statement of operations as it transitions to a commercial stage enterprise.

Interest expense was \$96,104 and \$141,831 for the quarter and year ended December 31, 2009, respectively, compared to \$138 and \$5,490 for the comparable periods in 2008. In 2009, the Company executed interest-bearing leases for technical equipment required for the development and manufacture of the Vindicator beta units, and in the third quarter began consolidating interest expense on the long-term debt for the Falcon Fifty aircraft owned by Falcon Fifty LLC, a subsidiary of the Company. It is expected that interest expense will increase significantly in 2010 compared to 2009, principally due to the long-term debt associated with Falcon Fifty LLC, which will include a full twelve months of interest expense during 2010.

Non-controlling interest for 2009 for the quarter and year ended December 31, 2009 was \$(108,404) and \$(124,904), respectively. In the third quarter of 2009, CTW became a 75% equity owner of Falcon Fifty LLC, an entity created by CTW and Tristar Aviation LLC to provide aviation management services. Tristar Aviation 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 Aviation's 25% share of Falcon Fifty LLC's net loss.

The net loss and comprehensive loss for the quarter and year ended December 31, 2009 was \$4,154,696 and \$11,578,774, or \$(0.08) and \$(0.24) per share, respectively. In 2008, the net loss and comprehensive loss for the quarter and year ended December 31 was \$1,468,755 and \$2,231,396, or \$(0.04) and \$(0.08) per share, respectively.

The Company recorded a valuation allowance against the full value of its future tax assets at December 31, 2009 and 2008 and, accordingly, did not reflect any future income tax benefit in its consolidated statements of loss and comprehensive loss for the comparable periods.

Project Development Costs - Intangible Assets

At December 31, 2009 and 2008, the Company had capitalized project development costs of \$5,889,286 and \$3,075,022, respectively. These expenditures relate to the development of its Vindicator product.

The Company completed beta unit production of its Racer's Edge product in 2009. The cost of the Racer's Edge inventory was written down to net realizable value, which is estimated at the 2009 list price for a unit, and the excess costs were expensed on the consolidated statement of loss under "Inventory writedown – Beta units."

Summary of Quarterly Results

The following table highlights selected unaudited financial information for the Company on a consolidated basis for the last seven 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.

(In thousands, U.S. dollars)	Q4 FY09	Q3 FY09	Q2 FY09	Q1 FY09	Q4 FY08	Q3 FY08	Q2 FY08
Statement of Operations							
Revenue	-	-	-	-	-	-	-
Net loss	(4,155)	(3,593)	(2,147)	(1,684)	(1,469)	(477)	(244)
Earnings (loss) per share	(0.08)	(0.07)	(0.05)	(0.04)	(0.04)	(0.02)	n/a
Cash Flow Information							
Operating activities	(3,616)	(3,189)	(3,120)	(2,200)	(2,015)	500	207
Investing activities	(381)	(5,727)	(680)	(1,313)	(1,510)	(963)	(598)
Financing activities	(78)	4,654	17,259	(137)	42	12,996	485
Net cash inflow (outflow)	(4,075)	(4,262)	13,459	(3,650)	(3,483)	12,533	-
Cash, beginning of period	14,691	18,953	5,494	9,144	12,627	94	-
Cash, end of period	10,616	14,691	18,953	5,494	9,144	12,627	94
Balance sheet information							
Working capital	\$10,110	\$14,382	\$19,290	\$4,879	\$7,925	\$11,079	(\$286)
Total assets	\$24,964	\$28,595	\$26,826	\$11,379	\$12,586	\$14,547	\$1,070
Shareholders' equity	\$17,768	\$21,319	\$24,689	\$9,456	\$11,032	\$12,407	(\$286)

Liquidity and Capital Resources

At December 31, 2009, the Company's principal source of liquidity was cash and cash equivalents of \$10,616,065. The Company's consolidated long-term debt obligation consists of Falcon Fifty LLC's note in the amount of \$4.6 million for the purchase of a Falcon Fifty 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 year ended December 31, 2009, cash used in operating activities was \$3,615,862 and \$12,249,249, respectively, compared to cash used in operating activities of \$2,014,594 and \$1,374,248 for the quarter and year ended December 31, 2008. Cash usage from operating activities during 2009 was principally attributable to growth in Company personnel, administrative costs, and professional engineering fees as the Company became established and began to manufacture the Vindicator and Racer's Edge beta units. The Company is a development stage company and did not recognize any revenue during 2009. For the year ended December 31, 2009, initial sales of \$282,696 were netted against capitalized project development costs as required by the Company's status as a development stage enterprise.

Cash used in investing activities for the quarter and year ended December 31, 2009 was \$380,512 and \$8,100,903, respectively, compared to \$1,540,964 and \$3,106,118, respectively, for the quarter and year ended December 31, 2008. Investing activities in 2009 and 2008 consisted primarily of product development costs relating to the development and manufacture of its products, including the Vindicator beta units and others based on LIDAR wind sensing technology. The Company will cease capitalization and commence amortization of these costs during full commercialization, which is expected to occur during 2010. Purchase of capital assets, which includes the Falcon Fifty aircraft, test and manufacturing equipment and furniture and fixtures, used cash of \$5,594,436 in 2009. The Company has financed the purchase of the Falcon Fifty with a long-term note in the amount of \$4,600,000 as

disclosed in Note 15 of the consolidated financial statements. Purchase of capital assets used cash of \$31,066 in 2008.

Financing activities used cash of \$78,369 for the quarter ended December 31, 2009. For the year, cash provided by financing activities was \$21,822,450. This compared to cash provided by financing activities of \$41,870 and \$13,624,133 for the quarter and year ended December 31, 2008, respectively. Cash provided from financing activities in 2009 is primarily attributable to proceeds from the completion of the Private Placement (as defined below) in May 2009 and the financing of the Falcon Fifty aircraft in September 2009. The increase in cash from financing activities in 2008 is attributable to proceeds from the issuance of common shares in connection with the completion of the Qualifying Transaction.

The Company's principal uses of cash since inception have been for the development and manufacture of the Vindicator beta units and other prototypes using related technologies, research and development costs and capital expenditures. Going forward, in addition to these research and development and capital expenditures, funds will be needed for sales and marketing, manufacturing and installation, and general and administrative activities as the Company enters the commercialization stage of its development. Until the Company is able to generate significant revenue, it will continue to rely on equity and debt financing to fund its cash requirements. The Company does not have any other commitments for material capital expenditures over the near or long term. The Company anticipates capital expenditures related to commencement of the production and assembly of the Vindicator at an outsourced manufacturing facility in 2010. There are no other capital expenditures presently contemplated other than as disclosed in the Company's public filings or as required in connection with normal operating requirements. The Company anticipates a need for additional debt and/or equity financing during the 2010 calendar year to accelerate its growth initiatives.

On March 29, 2010, the Company announced an update to the proposed private placement offering that was announced on February 23, 2010 under an agreement between the Company and a syndicate of agents led by National Bank Financial and Dundee Securities Corporation and including Mackie Research Capital (the "Agents"). Under the terms of the offering, the Agents will sell, on a best efforts private placement basis, units of the Company priced at C\$2.00 per unit. The private placement offering is expected to generate gross proceeds of approximately C\$5 million.

Each unit will be comprised of one common share of the Company and one common share purchase warrant (the "Warrants"). Each whole Warrant will entitle 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 C\$2.20 per share at any time within 24 months following the closing of the offering. The offering is expected to close on or about April 20, 2010. Pursuant to applicable Canadian securities laws, the common shares and Warrants issued under the offering will be subject to a four-month hold period from the time of closing of the offering.

The net proceeds of the offering will be used for further development, production and sales of the Company's product lines and for general corporate purposes.

Under the terms of the offering, the Company has agreed that, subject to confirmation of all applicable tax, corporate and regulatory matters, on or prior to August 31, 2010 the Company will take steps to complete a corporate reorganization that, if completed, would be expected to result in the removal of the ".s" designation from its trading symbol (the "Reorganization"). If the Company fails to complete the Reorganization on or prior to August 31, 2010, the Warrants will be deemed to be automatically amended such that each Warrant will thereupon entitle the holder to purchase, at any time within 24 months following the closing of the offering, one common share at a price of C\$2.20 per share. The Reorganization will be subject to all necessary regulatory and shareholder approvals, including the approval of the TSX Venture Exchange and the securities regulatory authorities.

The offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSX Venture Exchange and the securities regulatory authorities.

The Agents will receive a commission of 6.0% of the gross proceeds raised under the offering.

Commitments, Contingencies and Off-Balance Sheet Arrangements

As at December 31, 2009, the Company had no commitments for capital expenditures, no contingencies and no off-balance sheet arrangements, except for the office space sublease and equipment operating lease disclosed in Note 12 to the consolidated financial statements for 2009. As also disclosed in Note 12 to the consolidated financial statements for the year ended December 31, 2009, 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. Although there can be no assurance that any particular claim will be resolved in the Company's favor, the Company does not believe that the outcome of any claims or potential claims of which it is currently aware will 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 13 to the consolidated financial statements of CWL for the year ended December 31, 2009, CWL 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 Company 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 the Company from OADS under the Licensing Agreement, as well as general administrative support. CTW has a commitment to make guaranteed minimum royalty payments to OADS under the terms of the Licensing Agreement as disclosed in Note 12 of the consolidated financial statements for the year ended December 31, 2009.

As disclosed in Note 12 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.

As disclosed in Note 13 to the consolidated financial statements, in the third quarter of the current year 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 have been netted against the development costs as required by the Company's 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.

In the third quarter of 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, a company whose principal members are an officer and a director of the Company. On September 21, 2009, Falcon Fifty LLC and its shareholders executed an agreement to purchase a Falcon Fifty aircraft for \$5 million. Falcon Fifty LLC is considered a subsidiary of CTW, and accordingly the operations of Falcon Fifty LLC have been included in the consolidated financial statements of the Company. Tristar Aviation's proportionate share of Falcon Fifty LLC's net loss and net assets are identified on the Company's financial statements as "Non-controlling interest."

Due to Related Party

At December 31, 2009, the Company owed a net balance of \$355,685 (2008 - \$527,135) to OADS for labor charges and administrative costs. Due from OADS to the company at December 31, 2009 included in accounts receivable is a balance of \$27,771 (2008 – Nil) for third-party consulting fees paid on behalf of OADS.

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 December 31, 2009.

The table below summarizes the future cash flow requirements for consolidated lease, royalty and long-term debt obligations as at December 31, 2009:

Contractual Obligations (in US Dollars)	Total	2010	2011	2012	2013	2014 and beyond
Operating leases	\$93,383	\$67,600	\$25,783	-	-	-
Capital lease obligations	\$465,935	\$227,239	\$205,599	\$33,097	-	-
Long-term debt	\$7,056,341	\$487,793	\$487,793	\$487,793	\$487,793	\$5,105,169
Royalties (1)	\$1,750,000	-	\$250,000	\$500,000	\$500,000	\$500,000
Total Contractual Obligations	\$9,365,659	\$782,632	\$969,175	\$1,020,890	\$987,793	\$5,605,169

(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 can not be calculated, this table includes \$500,000 for year 2014 in the column entitled "2014 and beyond".

Financing Transaction

On May 20, 2009, the Company completed a private placement (the "Private Placement") of 16,743,000 shares of common stock at a price of (CDN) \$1.30 per share. In connection with the Private Placement, the Company paid a total commission equal to 6% of the gross proceeds of the brokered portion of the Private Placement to National Bank Financial Inc., Research Capital Corporation and Canaccord Capital Corporation (collectively, the "Agents"), who acted as placement agents for the Private Placement. The Company also granted compensation options to the Agents entitling the holders thereof to acquire an aggregate of 1,003,080 shares of common stock at an exercise price of (CDN) \$1.30 per share, exercisable for the 24-month period following the completion of the Private Placement. Placement costs totaling \$1,937,958, including \$508,146 of costs related to 1,003,080 compensation options, were offset against the proceeds of the Private Placement. Net proceeds recorded to equity in connection with the Private Placement were \$16,779,042.

The net proceeds of the Private Placement are being used to accelerate the next stage of Company growth, complete field trials, expand manufacturing capacity for the Vindicator and other laser based wind sensors, and for general working capital purposes.

CRITICAL ACCOUNTING POLICIES

A summary of those accounting policies the Company believes are most critical to understanding and evaluating our financial results is set forth below. This summary should be read in conjunction with our consolidated financial statements.

Inventory

The Company accounts for inventory in accordance with CICA Handbook Section 3031, "Inventories". Inventory, consisting of electronic and optical components used to manufacture the Vindicator and Racer's Edge products, finished Vindicator and Racer's Edge beta units and work-in-process, is carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out inventory basis, and includes the purchase price, import duties and other taxes, and transport expenses. Fixed and variable production overheads are systematically allocated to the carrying amount of inventory.

Leases

Leases that transfer substantially all of the benefits, risks and rewards of ownership to the Company are recorded as capital leases and classified as capital assets with a corresponding increase to obligations under capital leases. Amortization is recorded when the assets are placed into service. All other leases are classified as operating leases under which leasing costs are expensed in the period incurred. Deposits paid, as part of the lease agreements, are offset against the lease obligations during the term of the lease.

Project Development Costs - Intangible Assets

The Company capitalizes the costs associated with the development of intangible assets. Once an item is capable of operation in the manner intended, these costs are amortized over their estimated useful lives on a straight-line basis unless such lives are deemed indefinite. Intangible assets are assessed for impairment testing as described in the "Impairment of Long-Lived Assets" section of Note 3. "Summary of Significant Accounting Policies," with any impairment being recorded in the Consolidated Statements of Loss in the period deemed impaired.

The intangible assets consist of project development costs related to the development of the Vindicator and include directly attributable expenses, including labor charges from OADS subcontractors, materials and third party consulting costs, required to produce and prepare the asset to be capable of operating in the manner intended.

Impairment of Long-Lived Assets

Long-lived assets and intangible assets subject to amortization are assessed for impairment whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use. An impairment loss is measured as the amount by which the carrying amount exceeds its fair value. Due to the Company's early stage, Project Development Costs are assessed for recoverability on an annual basis. The Company assessed the recoverability of the project development costs at December 31, 2009 and determined that no impairment exists.

Research and Development Costs

Research costs are expensed as incurred. Development costs are expensed as incurred, unless such costs meet the criteria for capitalization and amortization under GAAP.

Stock-Based Compensation

The Company accounts for stock-based compensation granted to directors, officers, employees and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black-Scholes option pricing model. For employees and directors, the fair value is measured at the date of grant and stock-based compensation is recorded over the vesting period, with a corresponding increase to contributed surplus, on a

graded vesting basis over the vesting periods. For non-employees, the fair value is remeasured each reporting period until the options vest, and stock compensation is adjusted each reporting period to reflect the repricing. For all stock options issued, if and when the stock options are exercised, the applicable amounts of contributed surplus are transferred together with the proceeds to share capital.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to be settled or realized.

The Company records a valuation allowance to reduce its future tax assets to the amount that is more likely than not to be realized. Realization of the future tax assets is principally dependent upon the achievement of projected future taxable income. If the estimates and related assumptions change in the future, the Company may be required to adjust its valuation allowance against its future tax assets, resulting in a benefit or a charge to income in the period such determination is made. As of December 31, 2009, the Company has recorded a full valuation allowance against the net future tax asset.

Net Loss per Share

Basic loss per share is calculated by dividing the net loss by the weighted-average number of shares outstanding for the period. Diluted earnings per share is calculated using the treasury stock method. The treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation. Diluted income per share calculation will exclude any potential conversion of options and warrants that would increase earnings per share. Diluted loss per share is not presented, as the effect would be anti-dilutive.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related party	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

In 2009, the Company adopted the amendments to CICA Section 3862, "Financial Instruments – Disclosures. This amendment requires enhanced disclosures about the relative reliability of data that are used to measure the fair value of financial instruments based upon a fair value hierarchy as well as enhanced discussion and quantitative disclosure related to liquidity risk. The three levels of financial value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in the active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based upon observable market data.

As at December 31, 2009, the Company has cash and cash equivalents that were measured at fair value and were valued based upon the Level 1 financial value hierarchy.

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

The carrying value of financial instruments approximates their fair value, due to the short-term nature of such amounts. Gains or losses on financial instruments classified as held for trading are recognized in net income based on the changes in the fair market value of the financial instrument during the period.

Credit Risk and the Fair Value of Financial Assets and Liabilities

Effective January 1, 2009, the Company adopted CICA Emerging Issue Committee Abstract (“EIC”) 173 “Credit Risk and the Fair Value of Financial Assets and Liabilities”. EIC 173 recommends that the determination of fair value of financial assets and liabilities take into account a company’s credit risk as well as the credit risk of the counterparty. The adoption of EIC 173 did not have an impact on the Company’s 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, including comparatives for 2010. IFRS will require increased financial statement disclosure. 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 planning and transition to IFRS. The Company is proceeding with an IFRS changeover plan in 2010.

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 54,883,972 shares of common stock issued and outstanding and no shares of preferred stock outstanding, options to purchase 2,987,094 shares of common stock outstanding at prices ranging from C\$0.998 per share to C\$1.92 per share, and compensation options (issued to agents) to purchase 2,149,290 shares of common stock outstanding at C\$1.30 per share.

Notwithstanding the passage of one year since the date of the Qualifying Transaction, shares of the Company's common stock remain "restricted securities" under the *U.S. Securities Act of 1933*, as amended (the "1933 Act"), and will continue to be subject to certain restrictions on transfer to U.S. persons under U.S. securities laws. As such, all certificates evidencing shares of the Company's common stock will continue to bear existing restrictive transfer legends, and the Company's ticker symbol on the TSX Venture Exchange will continue to contain a ".S" suffix. 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.

New Board Appointee

In March 2010, the Company appointed Marty Crotty as an independent director of the Company. Mr. Crotty will serve on the Company's Audit Committee as well its Corporate Governance and Compensation Committee. Mr. Crotty is Chief Executive Officer of UpWind Solutions, an operations and maintenance provider for utility-scale wind energy projects. Prior to joining UpWind Solutions, Mr. Crotty was President of AES Wind Generation, part of AES Corporation, a global power company. He served as Executive Vice President with SeaWest WindPower Inc. and has more than 20 years of experience in the energy sector. Consistent with the Company's non-employee director compensation policy, Mr. Crotty was issued a stock option grant consisting of 100,000 shares. The options have an exercise price of CDN \$2.19 based on the Company's closing share price on the TSX Venture Exchange on March 1, 2010. One third of these options vested on the date of grant and the remaining two thirds of these options will vest in equal increments on each of the first and second anniversaries of the date of grant. The expiry date of the options is March 1, 2020.

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 a new product, the Company's revenues may be materially affected by the decisions, including timing 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 industries 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.