

**CATCH THE WIND LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three months ended March 31, 2010**

**May 10, 2010**

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

**For the three months ended March 31, 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 months ended March 31, 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 March 31, 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 May 10, 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](http://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 laser Doppler velocimetry 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. 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 three months ended March 31, 2010 is as follows:

- As a development stage enterprise, the Company did not recognize revenue for the quarter ended March 31, 2010.
- Net loss from operations for the three month period was \$3,212,774;
- Cash and cash equivalents totaled \$6,606,450 as at March 31, 2010;
- Capitalized project development costs were \$6,295,884 as at March 31, 2010;
- Total assets were \$22,408,588 as at March 31, 2010.

## Operating Highlights:

- 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 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 three months ended March 31, 2010 and 2009. The information in these tables has been derived from the unaudited interim consolidated financial statements and accompanying notes for the three months ended March 31, 2010. Each investor should read the following information in conjunction with those statements and related notes. The financial information for the three months ended March 31, 2010 has been prepared by management in accordance with Canadian GAAP and is expressed in US dollars.

	<b>Three months ended March 31, 2010 (unaudited)</b>	<b>Three months ended March 31, 2009 (unaudited)</b>
<b>Statement of Operations Data:</b>		
<b>Revenue</b>	\$ -	\$ -
<b>Expenses:</b>		
Salaries and benefits	890,394	637,246
General and administrative	730,703	285,617
Inventory writedown – Beta units	54,377	-

Amortization	205,403	20,307
Sales and marketing	48,517	73,732
Consulting fees	110,990	114,451
Professional fees	402,797	40,840
Professional engineering fees	643,600	509,011
Research and development	127,771	-
Interest expense, long-term debt	81,693	-
Interest expense, leases	14,436	6,743
Interest income	(6,821)	-
Foreign currency (gain) loss	(671)	(3,852)
	<u>\$ 3,303,189</u>	<u>\$ 1,684,095</u>
<b>Loss before non-controlling interest</b>	\$ (3,303,189)	\$ (1,684,095)
<b>Non-controlling interest</b>	(90,415)	-
<b>Net loss and comprehensive loss</b>	\$ (3,212,774)	\$ (1,684,095)

#### Supplemental Financial Data

Loss per share	\$ (0.06)	\$ (0.04)
Weighted average number of shares outstanding	54,883,972	38,046,784

#### Balance Sheet Data

	<b>As at March 31, 2010</b>	<b>As at December 31, 2009</b>
Cash and cash equivalents	\$ 6,606,450	10,616,065
Working Capital (Current assets less current liabilities)	\$ 6,857,509	10,109,972
Total Assets	\$ 22,408,588	24,964,097
Total Liabilities	\$ 7,388,602	7,013,519
Total Shareholders' equity	\$ 14,824,214	17,767,665

#### Cash Flow Information

	<b>Three months ended March 31, 2010</b>	<b>Three months ended March 31, 2009</b>
Operating activities	\$ (3,608,868)	\$ (2,199,680)
Investing activities	(317,812)	(1,312,605)
Financing activities	(82,935)	(136,872)
Net cash outflows	(4,009,615)	(3,649,157)
Cash and cash equivalents, beginning of period	<u>10,616,065</u>	<u>9,143,767</u>
Cash and cash equivalents, end of period	<u>\$ 6,606,450</u>	<u>\$ 5,494,610</u>

## Revenue

The Company is a development stage company and to date has not recognized any revenues or commenced its principal commercial operations. However, the Company recorded \$42,000, representing a portion of the sales price, as a deposit from a customer during the quarter related to the sale of a Vindicator.

## Expenses

Operating expenses for the quarter ended March 31, 2010 were \$3,303,189 compared to \$1,684,095 for the quarter ended March 31, 2009. These expenses consisted largely of salaries and wages, professional engineering fees associated with the development of the Vindicator, consulting and professional 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 were inventory write-downs on the Company's beta units of \$54,377 (2009–nil). The increase in operating expenses is attributable to overall growth in the Company since it was established in 2008.

Salaries and benefits expense for the quarter ended March 31, 2010 was \$890,394, compared to \$637,246 for the quarter ended March 31, 2009. Included in salaries and benefits expense for the quarter ended March 31, 2010 and 2009 is stock option expense of \$269,323 and \$107,932, respectively. 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 \$730,703 for the quarter ended March 31, 2010 compared to \$285,617 for the quarter ended March 31, 2009. General and administrative expense includes travel costs, repairs and maintenance, board of directors' expenses, telecommunication costs and other office expenses. The increase in general and administrative costs in the first quarter of 2010 as compared to the first quarter of 2009 is primarily due to growth in travel expenses, which includes costs associated with the Falcon Fifty aircraft.

Inventory valuation adjustments for the Company's Vindicator beta and Racer's Edge beta units for the quarter ended March 31, 2010 totaled \$54,377 as the Company applied the measurement section of CICA Section 3031 "Inventories". There were no inventory beta units in the quarter ended March 31, 2009. 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 through the second quarter of 2010 as the remaining beta units are completed.

Amortization expense was \$205,403 for the quarter ended March 31, 2010 compared to \$20,307 for the quarter ended March 31, 2009. 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 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 the commencement of commercialization.

Sales and marketing expense totaled \$48,517 for the quarter ended March 31, 2010 compared to \$73,732 for the quarter ended March 31, 2009. The decrease in sales and marketing costs in the first quarter of 2010 as compared to the first quarter of 2009 is due to lower trade show expenses. It is expected that sales and marketing expense will increase significantly as the Company transitions to the commercialization stage during 2010.

Consulting expense was \$110,990 for the quarter ended March 31, 2010 compared to \$114,451 for the quarter ended March 31, 2009. It is expected that consulting expenses will increase during 2010 from current levels to support overall business growth initiatives.

Professional fees totaled \$402,797 for the quarter ended March 31, 2010 compared to \$40,840 for the quarter ended March 31, 2009. Professional fees include accounting and legal costs, investor relations, public relations and other

professional services. The increase in the first quarter of 2010 compared to the same period last year is primarily due to legal costs, public relations and business development expenses. It is expected that professional fees will increase during 2010 as the Company transitions to a commercial stage enterprise.

Professional engineering fees for the quarter ended March 31, 2010 totaled \$643,600 compared to \$509,011 for the quarter ended March 31, 2009. Professional engineering fees consist of engineering support costs, including field installation and production support, charged to the Company by OADS. It is expected that professional engineering fees will continue at their current rate through 2010.

Research and development expense was \$127,771 for the quarter ended March 31, 2010 (2009 – nil). This expense primarily relates to the Racer's Edge product. Currently, the Company's development costs related to the Vindicator are capitalized as project development costs on the Company's balance sheet. Those development costs totaled \$406,598 in the first quarter of 2010. 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 on long term debt was \$81,693 for the quarter ended March 31, 2010 (2009 – nil). Interest expense on leases for the quarter ended March 31, 2010 was \$14,436 compared to \$6,743 for the quarter ended March 31, 2009. During 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 continue to show a significant increase in 2010 as compared to 2009, principally due to the long-term debt interest associated with Falcon Fifty LLC.

Non-controlling interest for the quarter ended March 31, 2010 was \$(90,415). 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 ended March 31, 2010 was \$3,212,774, or \$(0.06) per share, compared to a net loss and comprehensive loss for the quarter ended March 31, 2009 of \$1,684,095, or \$(0.04) per share.

The Company recorded a valuation allowance against the full value of its future tax assets at March 31, 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 March 31, 2010, the Company had capitalized project development costs of \$6,295,884 as compared to \$5,889,286 at December 31, 2009. These expenditures relate to the development of its Vindicator product, and will be amortized upon commencement of commercialization.

### 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.

(In thousands, U.S. dollars)

	Q1 FY10	Q4 FY09	Q3 FY09	Q2 FY09	Q1 FY09	Q4 FY08	Q3 FY08	Q2 FY08
<b>Statement of Operations</b>								
Revenue	-	-	-	-	-	-	-	-
Net loss	(3,213)	(4,155)	(3,593)	(2,147)	(1,684)	(1,469)	(477)	(244)
Earnings (loss) per share	(0.06)	(0.08)	(0.07)	(0.05)	(0.04)	(0.04)	(0.02)	n/a
<b>Cash Flow Information</b>								
Operating activities	(3,609)	(3,616)	(3,189)	(3,120)	(2,200)	(2,015)	500	207
Investing activities	(318)	(381)	(5,727)	(680)	(1,313)	(1,510)	(963)	(598)
Financing activities	(83)	(78)	4,654	17,259	(137)	42	12,996	485
Net cash inflow (outflow)	(4,010)	(4,075)	(4,262)	13,459	(3,650)	(3,483)	12,533	-
Cash, beginning of period	10,616	14,691	18,953	5,494	9,144	12,627	94	-
Cash, end of period	6,606	10,616	14,691	18,953	5,494	9,144	12,627	94

### Balance sheet information

Working capital	\$6,858	\$10,110	\$14,382	\$19,290	\$4,879	\$7,925	\$11,079	(\$286)
Total assets	\$22,409	\$24,964	\$28,595	\$26,826	\$11,379	\$12,586	\$14,547	\$1,070
Shareholders' equity	\$14,824	\$17,768	\$21,319	\$24,689	\$9,456	\$11,032	\$12,407	(\$286)

### Liquidity and Capital Resources

At March 31, 2010, the Company's principal source of liquidity was cash and cash equivalents of \$6,606,450. 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 ended March 31, 2010, cash used in operating activities was \$3,608,868, compared to cash used in operating activities of \$2,199,681 for the quarter ended March 31, 2009. The increase in cash usage from operating activities for the first quarter of 2010 is principally attributable to growth in Company personnel, professional fees, administrative costs, travel expenses and professional engineering fees as compared to the same period last year. The Company is a development stage company and did not recognize any revenue in either period.

Cash used in investing activities for the quarter ended March 31, 2010 was \$317,812, compared to cash used of \$1,312,604 for the quarter ended March 31, 2009. Investing activities in the first quarter of 2010 and 2009 consisted primarily of product development costs relating to the development and manufacture of its products, including the Vindicator beta units. The Company will cease capitalization and commence amortization of these costs during full commercialization, which is expected to occur in 2010.

Financing activities used cash of \$82,935 for the quarter ended March 31, 2010, compared to usage of \$136,872 for the quarter ended March 31, 2009. Financing activities in the first quarter of 2010 consisted of payments on capital lease obligations associated with technical equipment and on long-term debt related to the Falcon Fifty aircraft.

The Company's principal uses of cash since inception have been for the development and manufacture of the Vindicator and Racer's Edge beta units, 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 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 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 April 20, 2010, the Company completed a private placement of 2,576,000 units (the "Units"), each at a price of CDN \$2.00, generating gross proceeds of CDN \$5,152,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant (the "Warrants"). 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 C\$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. As part of the offering, the agents collectively subscribed for an aggregate of 150,000 Units of the Company based on a price per unit of CDN \$2.00, with such Units having the same terms and conditions as those issued to purchasers under the offering.

Pursuant to applicable Canadian securities laws, the common shares and Warrants issued under the offering, and the common shares issuable on exercise of the Warrants, including those issued to the agents, will be subject to a four-month hold period from the closing of the offering. Various entities which together constitute a group, which collectively have beneficial ownership of, or control or direction over, directly or indirectly, common shares of the Company carrying more than 10% of the outstanding common shares of the Company, purchased 1,175,000 Units under the offering, representing approximately 46% of the offering. The participation of these entities in the offering constitutes a related party transaction under Canadian Multilateral Instrument 61-101 ("MI 61-101"), but is otherwise exempt from the formal valuation and minority approval requirements of MI 61-101.

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 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.

The Company anticipates a need for additional financing during the 2010 calendar year to accelerate its growth initiatives.

## **Commitments, Contingencies and Off-Balance Sheet Arrangements**

As at March 31, 2010, 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 9 to the consolidated financial statements. As also disclosed in Note 9 to the consolidated financial statements for the quarter ended March 31, 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. 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 10 to the consolidated financial statements of CWL for the quarter ended March 31, 2010, 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 9 of the consolidated financial statements for the quarter ended March 31, 2010.

As disclosed in Note 9 of the consolidated financial statements, CTW executed with OADS a sublease renewal agreement (the "Sublease Renewal Agreement") effective October 30, 2009. 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 10 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 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/from Related Party

At March 31, 2010 and December 31, 2009, the Company owed a balance of \$692,952 and \$355,685, respectively, to OADS for labor charges and administrative costs. Included in accounts receivable at March 31, 2010 and December 31, 2009, is a balance of \$532 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.

## 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 March 31, 2010.

The table below summarizes the future cash flow requirements for consolidated lease, royalty and long-term debt obligations as at March 31, 2010:

Contractual Obligations (in US Dollars)	Total	2010	2011	2012	2013	2014 and beyond
Operating leases	\$72,867	\$47,084	\$25,783	-	-	-
Capital lease obligations	\$439,907	\$181,917	\$216,123	\$41,867	-	-
Long-term debt	\$6,934,393	\$365,845	\$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	\$9,197,167	\$594,846	\$979,699	\$1,029,660	\$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".

## 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, 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 57,459,972 shares of common stock issued and outstanding and no shares of preferred stock outstanding, options to purchase 3,077,094 shares of common stock outstanding at prices ranging from CDN\$0.998 per share to CDN\$2.19 per share, and compensation options (issued to agents) to purchase 2,149,290 shares of common stock outstanding at CDN\$1.30 per share. There are, in addition, warrants outstanding to purchase 1,288,000 common shares of the Company at an exercise price of CDN \$2.20 per share issued in connection with the private placement completed on April 20, 2010.

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 as 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 new products, 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](http://www.sedar.com).