CATCH THE WIND LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine month periods ended September 30, 2011

Expressed in United States dollars

November 28, 2011

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

For the three and nine month periods ended September 30, 2011

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% membership interest in the subsidiary, Falcon Fifty LLC, for the three and nine months ended September 30, 2011. For the purposes of this MD&A, CTW, CWL and Falcon Fifty LLC are sometimes collectively referred to as the "Company".

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of CWL for the three and nine months ended September 30, 2011 and the notes thereto. The Company has adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011. Prior to the adoption of IFRS, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. All statements are expressed in US dollars. See Note 5 to the unaudited condensed consolidated interim financial statements of CWL for the three and nine months ended September 30, 2011 and expanded disclosure in Note 5 to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011 for further information on the transition to IFRS and its impact on the Company's financial position, financial performance and cash flows.

The effective date of this MD&A is November 28, 2011 and is current to that date, unless indicated otherwise.

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") and the Annual Information Form of the Company dated May 10, 2011 (the "AIF") . 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

Catch the Wind Ltd. (“CWL”) develops, manufactures and sells products based on Laser Doppler Velocimetry (“LDV”) wind-sensing technology, also known in the industry as Light Detection and Ranging, or LIDAR, technology. CWL’s business is carried on in the name of “Catch the Wind, Inc.” (“CTW”), a wholly owned operating subsidiary of CWL. CTW’s products are based on Laser Doppler Velocimetry (“LDV”) technology developed by and licensed from Optical Air Data Systems, LLC ("OADS"), a Virginia limited liability company. CTW operated as an unincorporated entity and affiliate of OADS for the period from its inception on January 1, 2008 until March 18, 2008, when it was incorporated under the laws of the Commonwealth of Virginia.

CTW’s primary product, the Vindicator® remote wind sensing system (the “Vindicator”), is a fiber optic laser sensing system that is capable of measuring real-time horizontal and vertical wind speed and direction data at varying ranges ahead of the sensor location. The system, located internally and on the surface of the wind turbine nacelle, will sense winds at ranges up to 300 meters. The Vindicator’s forward-looking wind sensors read the approaching wind and control the wind turbine proactively to enable optimal turbine operation. When the Vindicator is integrated with a turbine’s control system, the result is increased efficiency, greater power production and reduced stress loads on turbine blades and other key components, which should reduce maintenance costs during the life of the turbine. The Vindicator laser wind sensor (“LWS”) Generation 2.0 (“G 2.0”) incorporates lessons learned from two years of field trials of Beta (Generation 1) Vindicators. In the G 2.0, subsystems are reengineered so that all laser optics are internal to the sealed Vindicator Laser Remote Unit, eliminating the need for external fiber optic cables. This improved architecture is easier to install on wind turbines, while improving reliability and efficiency.

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

On July 6, 2009, CTW became a 75% member in Falcon Fifty LLC, an entity created for the purpose of providing aviation management services. The remaining 25% membership interest in Falcon Fifty LLC is held by Tristar Aviation LLC (“Tristar”), a company whose sole member is owned entirely by a former officer and former directors of the Company, and who are significant shareholders of the Company. The Company withdrew from Falcon Fifty LLC effective October 22, 2011 and as a result the Company has relinquished any membership interest in the Falcon 50 aircraft.

The Company’s activities have consisted primarily of company formation, capital raising, initial marketing, production, and manufacturing of product prototype units, performance testing and other organizational activities, as well as gaining market acceptance of the accuracy and reliability of laser wind sensing and market adoption of laser wind sensing for turbine control. During the second quarter of 2010, the Company determined that it had commenced its principal commercial operations and was no longer a development stage enterprise.

The Company is focusing its marketing, production and engineering resources on its G 2.0 product. Shipments of the G 2.0 product have begun in the fourth quarter. In addition, the Company is transitioning to a higher volume contract manufacturing model which is expected to be completed during the first quarter of 2012. The transition to contract manufacturing is expected to position the Company for rapid revenue growth.

The Company’s continued existence is dependent upon the Company achieving profitable operations, and/or the ability of the Company to obtain additional financing. There is no guarantee that the Company's operations will yield positive results in the future. If the “going concern” assumption was not appropriate for the condensed consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

To the knowledge of the company, management of OADS holds a majority of the ownership interests in OADS and directly or indirectly owns 26,462,509 common shares, or approximately 21.6% of CWL. Under International

Accounting Standard ("IAS") 24 "Related Party Disclosures," the management of OADS is considered to have significant influence over CWL and OADS is considered a related party for purposes of accounting.

To the knowledge of the company, as of September 30, 2011, various entities of Hunter Hall Investment Management Ltd. ("Hunter Hall") directly or indirectly owned or controlled 48,457,944 common shares, or approximately 39.6% of Catch the Wind Ltd. Therefore, Hunter Hall is considered to have significant influence over CWL. Hunter Hall is considered a related party for purposes of accounting under International Accounting Standard ("IAS") 24, Related Party Disclosures.

Overall Performance

A summary of performance for the three and nine months ended September 30, 2011 is as follows:

- For the three and nine months ended September 30, 2011, the Company recognized revenue of $348,000 and $738,000, respectively.

- The net loss attributable to the Owners of the Company for the three and nine months ended September 30, 2011 was $10,176,903 and $19,771,680, respectively

- Cash and cash equivalents totaled $9,329,036 as at September 30, 2011

- Total assets were $14,905,171 as at September 30, 2011

Operating Highlights for the three and nine months ended September 30, 2011:

- During the quarter ended September 30, 2011, the Company began the manufacture of its Vindicator G 2.0 units. In the G 2.0 version, subsystems are reengineered so that all laser optics are internal to the sealed Laser Remote Unit, eliminating the need for external fiber optic cables. This improved architecture is easier to install on wind turbines while improving reliability and efficiency.

- On September 1, 2011, Jo S. Major, Jr. PhD was named Interim President and Chief Executive Officer of the Company. Dr. Major will continue his role as Chairman of the Board. Philip Rogers resigned as President and Chief Executive Officer of the Company, and as a Director of CWL, effective the same date. The Company has launched a search for a new President and Chief Executive Officer.

- On August 25, 2011, the Company announced that it had executed an agreement to lease, with an option to buy, a Vindicator unit to a leading manufacturer of wind turbines. Under the terms of the lease arrangement, the turbine manufacturer will test and evaluate the Vindicator for a period of three to six months. Upon successful completion of the evaluation period, the manufacturer has the option to purchase the unit or additional units under a separate sales agreement

- On August 5, 2011, the Company completed its best efforts short form prospectus offering of units and common shares of the Company generating gross proceeds of approximately CDN $15 million. Each unit was priced at CDN$0.40 and consisted of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of CDN$0.60 per share at any time within two years following the closing of the offering. Each common share sold separately from units was priced at CDN$0.35. A total of 6,807,121 units (consisting of 6,807,121 common shares and 3,403,561 whole warrants) and 35,214,574 stand-alone common shares were issued under the offering.

Selected Annual Financial Information

Results of Operations

The table below presents selected financial information for the three and nine months ended September 30, 2011 and 2010. The financial information has been prepared by management in accordance with IFRS and is expressed in US dollars.

Statement of Operations Data:	Three months ended September 30, 2011 (unaudited)	Three months ended September 30, 2010 (unaudited)	Nine months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2010 (unaudited)
Revenue				
	$348,000	$7,500	$738,000	$7,500
Expenses:				
Cost of sales	526,599	-	1,583,303	-
Salaries and benefits	607,827	407,839	1,689,854	1,840,162
General and administrative	624,967	604,501	2,209,469	1,946,856
Inventory valuation adjustment	1,422,986	519,781	1,430,934	1,851,619
Amortization of intangible assets	338,417	338,540	1,015,497	401,820
Depreciation of property & equipment	153,107	191,413	471,223	523,700
Sales and marketing	(991)	21,168	244,711	348,982
Consulting fees	101,738	212,668	505,589	491,777
Professional fees	330,929	410,017	932,278	1,354,789
Professional engineering fees	102,108	790,236	582,839	1,985,677
Research and development	384,243	717,747	3,724,826	999,843
Finance costs	84,349	95,954	260,768	295,212
Interest income	(2,711)	(3,414)	(4,824)	(17,106)
Other income, net	(19,715)	-	(37,464)	-
Gain on fair value of warrant liability	(965,614)	(562,748)	(713,728)	(1,187,803)
Impairment of property & equipment	2,486,799	-	2,486,799	-
Impairment of intangible assets	4,968,369	-	4,968,369	-
Foreign currency loss	72,434	2,943	79,509	6,436
Operating Expenses	11,215,841	3,746,645	21,429,952	10,841,964
Net loss and comprehensive loss	(10,867,841)	(3,739,145)	(20,691,952)	(10,834,464)

Net loss and comprehensive loss attributable to:				
Owners of the Company**:**	(10,176,903)	(3,679,532)	(19,771,680)	(10,612,796)
Non-controlling interest:	(690,938)	(59,613)	(920,272)	(221,668)
Supplemental Financial Data				
Loss per share – basic and diluted	$ (0.10)	$(0.07)	$(0.22)	$(0.19)
Weighted average number of shares outstanding	106,527,100	54,806,165	89,265,679	56,454,536

Balance Sheet Data	As at September 30, 2011 (unaudited)	As at December 31, 2010
Cash and cash equivalents	$9,329,036	$6,746,467
Working Capital (Current assets less current liabilities)	$8,427,981	$6,932,930
Total Assets	$14,905,171	$21,648,137
Total Liabilities	$7,581,504	$7,702,291
Total Equity	$7,323,667	$13,945,846

Cash Flow Information

	Nine months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2010
Operating activities	$(11,108,608)	$(11,139,981)
Investing activities	(282,219)	(986,349)
Financing activities	13,973,396	4,716,096
Net cash inflows (outflows)	2,582,569	(7,410,234)
Cash and cash equivalents, beginning of period	6,746,467	10,616,065
Cash and cash equivalents, end of period	$9,329,036	$3,205,831

Revenue

The Company recognized revenue of $348,000 from Vindicator Beta (Generation 1) product sales during the quarter ended September 30, 2011. For the nine months ended September 30, 2011, the Company recognized revenue from Vindicator Beta product sales of $738,000. The Company's revenue for the three and nine month periods ended September 30, 2011 was generated from three and four customers, respectively.

For the three and nine months ended September 30, 2010, the Company recognized revenue of $7,500 from the lease of a Racer's Edge unit, a former product offering.

From the Company's inception until June 15, 2010, CTW was a development stage company and, accordingly, had not recognized any revenues or commenced its principal commercial operations.

Expenses

Operating expenses for the quarter and nine months ended September 30, 2011 were $11,215,841 and $21,429,952, respectively, compared to $3,746,645 and $10,841,964 for the quarter and nine months ended September 30, 2010, respectively.

For the three months ended September 30, 2011, operating expenses increased $7,469,196 as compared to the same period of 2010. For the nine months ended September 30, 2011, operating expenses increased $10,587,988 as compared to the nine months ended September 30, 2010. The variances in operating expenses are detailed below:

Cost of sales for the quarter and nine months ended September 30, 2011 were $526,599 and $1,583,303, respectively (2010 – NIL). Cost of sales consists of product inventory costs, product warranty and royalty expense, installation expenses and customer support labor and material charges. There was no cost of sales in the comparable periods of 2010 as the Company had not yet recognized Vindicator Beta sales revenue.

Salaries and benefits expense for the quarter and nine months ended September 30, 2011 was $607,827 and $1,689,854, respectively, compared to $407,839 and $1,840,162 for the quarter and nine months ended September 30, 2010, respectively. Included in salaries and benefits expense for the quarter and nine months ended September 30, 2011 is non-cash stock option compensation expense of $48,948 and $88,093, respectively, compared to expense recovery of $(183,074) and expenses of $59,987 for the quarter and nine months ended September 30, 2010, respectively. Excluding stock option compensation expense, salaries and benefits expense for the quarter and nine months ended September 30, 2011 decreased $32,034 and $178,414, respectively. The decrease is largely attributable to the allocation of customer support labor expenses to cost of sales.

General and administrative expense for the quarter and nine months ended September 30, 2011 was $624,967 and $2,209,469, respectively; compared to $604,501 and $1,946,856 for the quarter and nine months ended September 30, 2010, respectively. General and administrative expense includes travel and travel related expenses, repairs and maintenance, equipment, board of directors' expenses and other office and corporate expenses. The increase in general and administrative costs in the quarter and nine months ended September 30, 2011 as compared to the quarter and nine months ended September 30, 2010 is primarily due to an increase in repairs and maintenance costs. Repairs and maintenance expense comprised $295,917 and $793,152 of general and administrative expense for the quarter and nine months ended September 30, 2011 compared to $53,998 and $269,493 for the quarter and nine months ended September 30, 2010, respectively. Repairs and maintenance costs include maintenance costs for the Falcon 50 aircraft owned by Falcon Fifty LLC of which CTW had a 75% membership interest. Effective October 22, 2011, CTW withdrew its membership in Falcon Fifty LLC. Travel and travel related expenses comprised $93,175 and $859,193 of general and administrative expense for the quarter and nine months ended September 30, 2011 compared to $326,332 and $948,261 for the quarter and nine months ended September 30, 2010, respectively. Travel expenses include all travel associated with trade shows, business development, customer visits and investor meetings. Expenses associated with operating the Falcon 50 aircraft were consolidated within the applicable categories of general and administrative expense.

Inventory valuation adjustments for the Company's Vindicator and Racer's Edge units for the quarter and nine months ended September 30, 2011 were $1,422,986 and $1,430,934 respectively, compared to $519,781 and $1,851,619 for the quarter and nine months ended September 30, 2010, respectively. The Company's work-in-process and finished goods inventory is carried at the lower of cost and net realizable value, which is the amount the Company expects to realize from the sale of a unit. The Company's products to date have been manufactured in the Company's pilot manufacturing facility and the cost of producing a unit is higher than the amount expected to be realized from the sale of a unit, resulting in a write-down for the three and nine months ended September 30, 2011 and 2010. In addition, the Company wrote off the carrying value of its remaining Vindicator Beta units and Racer's Edge and WindSeeker inventory at September 30, 2011, as the Company intends to focus its sales efforts on G 2.0, resulting in an aggregate write-off of $1,116,250. The Company anticipates transferring the production and assembly of the G 2.0 to an outsourced manufacturing facility, where the Company expects more favorable labor rates and volume discounts on material purchases, in the first quarter of 2012.

Amortization of intangible assets for the quarter and nine months ended September 30, 2011 was $338,417 and $1,015,497 respectively, compared to $338,540 and $401,820 for the quarter and nine months ended September 30, 2010, respectively, and relates primarily to the project development costs intangible asset. The Company commenced amortizing the intangible asset on June 16, 2010 over its expected useful life of five years. With the recent development and introduction of the G 2.0 product, the Company wrote off the product development cost intangible asset balance of $4,967,146 to reflect that it is no longer actively marketing or maintaining inventory related to the Vindicator Beta.

Depreciation of property and equipment for the quarter and nine months ended September 30, 2011 was $153,107 and $471,223, respectively compared to $191,413 and $523,700 for the quarter and nine months ended September 30, 2010, respectively. Depreciation of Falcon Fifty LLC property and equipment accounts for $57,846 and $173,538 of total depreciation for the quarter and nine months ended September 30, 2011, respectively, compared to $57,603 and $172,264 for the quarter and nine months ended September 30, 2010, respectively.

Sales and marketing expense for the quarter and nine months ended September 30, 2011 was $(991) and $244,711, respectively, compared to $21,168 and $348,982 for the quarter and nine months ended September 30, 2010, respectively. Sales and marketing costs were lower in the quarter and nine months ended September 30, 2011 as compared to the comparable periods in 2010 due to trade show and advertising expenses. During 2010, the Company incurred expenses associated with an advertising campaign that were not incurred in 2011. Trade show expenses comprised NIL and $195,687 of sales and marketing expense for the quarter and nine months ended September 30, 2011, respectively, compared to $14,443 and $219,198 for the quarter and nine months ended September 30, 2010, respectively. Advertising expenses comprised $(991) and $49,024 of sales and marketing expense for the quarter and nine months ended September 30, 2011, respectively, compared to $6,725 and $129,784 for the quarter and nine months ended September 30, 2010, respectively.

Consulting expense for the quarter and nine months ended September 30, 2011 was $101,738 and $505,589, respectively, compared to $212,668 and $491,777 for the quarter and nine months ended September 30, 2010, respectively. The Company reduced the number of consultants it utilized in the quarter ended September 30, 2011.

Professional fees totaled $330,929 and $932,278 for the quarter and nine months ended September 30, 2011, respectively, compared to $410,017 and $1,354,789 for the quarter and nine months ended September 30, 2010, respectively. Professional fees include accounting and legal costs, business development, investor relations, public relations and other professional services. The decrease in professional fees for the quarter and nine months ended September 30, 2011 compared to the same periods last year is primarily due to public relations and business development expenses. Legal expenses were also lower for the three and nine months ended September 30, 2011 as compared to the same period in 2010. Legal expenses were inflated in 2010 due to the corporate re-domestication to the Cayman Islands and litigation related to a former employee. Legal expense was $131,382 and $408,544 for the quarter and nine months ended September 30, 2011, respectively, compared to $138,297 and $650,095 for the quarter and nine months ended September 30, 2010, respectively. Accounting related fees were $126,495 and $296,282 for the quarter and nine months ended September 30, 2011, respectively, compared to $80,735 and $129,890 for the quarter and nine months ended September 30, 2010, respectively. The increase in accounting fees relates primarily to the conversion to IFRS.

Professional engineering fees were $102,108 and $582,839 for the quarter and nine months ended September 30, 2011, respectively, compared to $790,236 and $1,985,677 for the quarter and nine months ended September 30, 2010, respectively. Professional engineering fees consist of engineering support costs, including field installation and production support, charged to the Company by OADS. OADS labor has not been utilized by the Company subsequent to August 31, 2011, resulting in lower professional engineering fees for the quarter and nine months ended September 30, 2011 as compared to the same periods in 2010.

Research and development expense was $384,243 and $3,724,826 for the quarter and nine months ended September 30, 2011, respectively, compared to $717,747 and $999,843 for the quarter and nine months ended September 30, 2010, respectively. For the quarter and nine months ended September 30, 2011, research and development expenses consisted of OADS labor charges of $191,886 and $2,632,804, respectively, Company labor of $17,623 and $74,551, respectively, materials costs of $39,204 and $727,580, respectively; and third party consulting fees and other expenses of $135,530 and $286,411, respectively. For the quarter and nine months ended September 30, 2010, research and development expenses consisted of OADS labor charges of $640,020 and $843,667, respectively; materials costs of $46,642 and $98,012, respectively; and third party consulting fees and other expenses of $45,516 and $74,595, respectively. Through June 15, 2010, the Company's development costs related to the Vindicator Beta, which totaled $6,696,945, were capitalized as project development costs on the Company's balance sheet. For the nine months ended September 30, 2010, $807,659 was capitalized as project development costs. Effective June 16, 2010, the Company ceased capitalization of Vindicator Beta development costs and commenced expensing them on the consolidated statement of operations, in accordance with accounting guidance. Engineering efforts have focused on reducing G 2.0 production costs by approximately 50% and enhancing the turbine control features and reliability of the product. The cost reduction resulted from a new production configuration which also significantly improves the ease of installation and serviceability of the G 2.0. The Company is no longer actively marketing the Vindicator Beta product and wrote off the associated inventory as disclosed in Note 6 to the unaudited condensed consolidated interim financial statements. With the introduction of the G 2.0 product and the write off of the Vindicator Beta unit inventory, the Company also wrote off the balance of the project development costs related to the Vindicator Beta of $4,967,146 as of September 30, 2011. OADS labor has not been utilized by the Company for its research and development efforts subsequent to August 31, 2011.

Finance costs were $84,349 and $260,768 for the quarter and nine months ended September 30, 2011, respectively, compared to $95,954 and $295,212 for the quarter and nine months ended September 30, 2010, respectively. Within Finance costs, interest expense for borrowings was $76,924 and $233,340 for the quarter and nine months ended September 30, 2011, respectively, compared to $80,030 and $242,572 for the quarter and nine months ended September 30, 2010, respectively. Interest expense for leases comprised $7,425 and $27,428 of Finance costs for the quarter and nine months ended September 30, 2011, respectively, compared to $15,924 and $52,640 for the quarter and nine months ended September 30, 2010, respectively. Interest expense for borrowings relates to long-term debt on the aircraft owned by Falcon Fifty LLC. The interest expense for leases is associated with leases for technical equipment required for the development and manufacture of Company products.

Other income, net was $19,715 and $37,464 for the quarter and nine months ended September 30, 2011, respectively (quarter and nine months ended September 30, 2010 – NIL). Other income consists of charter and lease income, net of expenses, related to the aircraft owned by Falcon Fifty LLC.

Gain on the fair value of the warrant liability was $965,614 and $713,728 for the quarter and nine months ended September 30, 2011, respectively. This compares to a gain on the fair value of the warrant liability of $562,748 and $1,187,803 for the quarter and nine months ended September 30, 2010, respectively. In August 2011, related to its short form prospectus offering and in April 2010 and November 2010, in conjunction with private placement transactions, the Company issued warrants to investors to purchase shares of the Company's common stock at fixed exercise prices in Canadian dollars. Under IFRS, the Company's warrants are recorded as derivative financial liabilities on the consolidated statement of financial position and are carried at fair value. Warrants are valued using the Black-Scholes valuation model and are remeasured each reporting period. Any resulting gain or loss, which is a non-cash expense, is recognized immediately in profit or loss. Warrants were previously classified as equity under Canadian GAAP. The accounting treatment of warrants under IFRS creates more volatility in financial performance than under Canadian GAAP, as the Black-Scholes valuation was fixed at the grant date under Canadian GAAP.

Impairment of property and equipment was $2,486,799 for the quarter and nine months ended September 30, 2011 (2010 – NIL). Included is an aggregate impairment loss of $215,369 on four Vindicator Beta and two Racer's Edge test units, as their fair value less costs to sell as determined by reference to an active market was estimated to be less than their carrying amount. The aircraft owned by Falcon Fifty LLC was also deemed impaired, as its fair value less costs to sell was estimated to be less than its carrying amount, resulting in a write down of $2,271,430. Impairments on other miscellaneous equipment comprise the remainder of the impairment loss recorded for the quarter.

Impairment of intangible assets was $4,968,369 for the quarter and nine months ended September 30, 2011 (2010 – NIL). As of September 30, 2011, the Company is no longer actively marketing the Vindicator Beta product and wrote off the associated inventory as disclosed in Note 6. The Company reviewed its product offering and decided that with the introduction of the lower cost G 2.0 product which has been reengineered for better reliability and easier installation, the Company also wrote off the remaining Vindicator Beta unit net capitalized project development costs of $4,967,146. At September 30, 2011, the Company also recorded an impairment loss of $1,223 due to software that is no longer in use.

Foreign exchange loss was $72,434 and $79,509 for the quarter and nine months ended September 30, 2011, respectively, compared to foreign exchange loss of $2,943 and $6,436 for the quarter and nine months ended September 30, 2010, respectively and was related mainly to the August 5, 2011 short form prospectus offering conversion from Canadian dollars to US dollars.

The net loss and total comprehensive loss for the quarter and nine months ended September 30, 2011 was $10,867,841 and $20,691,952, respectively. This compares to a net loss and total comprehensive loss for the quarter and nine months ended September 30, 2010 of $3,739,145 and $10,834,464 respectively. The net loss and total comprehensive loss attributable to the Owners of the Company for the quarter and nine months ended September 30, 2011 was $10,176,903 or $(0.10) per share, and $19,771,680 or $(0.22) per share, respectively. The net loss and total comprehensive loss attributable to the Owners of the Company for the quarter and nine months ended September 30, 2010 was $3,679,532, or $(0.07) per share and $10,612,796, or $(0.19) per share, respectively.

The net loss and total comprehensive loss attributable to non-controlling interest for the quarter and nine months ended September 30, 2011 was $690,938 and $920,272, respectively. This compares to a net loss and total comprehensive loss attributable to non-controlling interest for the quarter and nine months ended September 30, 2010 of $59,613 and $221,668, respectively. In the third quarter of 2009, CTW became a 75% member of Falcon Fifty LLC, an entity created by CTW and Tristar to provide aviation management services. Tristar is a company whose sole members are a former officer and former directors of the Company and who are significant shareholders of the Company. Non-controlling interest represent Tristar's 25% share of Falcon Fifty LLC's net loss. The Company withdrew from Falcon Fifty LLC effective October 22, 2011.

The Company recorded a valuation allowance against the full value of its future tax assets at September 30, 2011, and accordingly, did not reflect any future income tax benefit in its unaudited condensed consolidated interim statements of loss and comprehensive loss for the quarter and nine month periods.

Project Development Costs - Intangible Assets

At September 30, 2011, the Company wrote off the remaining balance of the net capitalized project development costs recorded on the Company's consolidated balance sheet of $4,967,146. Net capitalized project development costs were $6,306,345 at September 30, 2010. Amortization of $334,800 and $1,004,399 related to the intangible asset was recorded for the quarter and nine months ended September 30, 2011, respectively, as compared to $334,800 and $390,600 for the quarter and nine months ended September 30, 2010. The Company determined that the project development cost asset had reached the condition necessary for it to be capable of operating in the manner intended by management on June 15, 2010, and accordingly, recognition of costs in the carrying amount of the intangible asset ceased as of that date. Capitalized project development costs related entirely to the development of the Vindicator Beta product and consisted of labor charges from OADS subcontractors of $4,874,117, materials costs of $599,623 and third party consulting fees and other expenses of $1,223,205 as of the date capitalization ceased. The Company commenced amortizing the project development costs intangible asset over its estimated useful life of five years on June 16, 2010. The Company is no longer actively marketing the Vindicator Beta (Generation 1) product and wrote off the associated inventory as disclosed in Note 6 to the unaudited condensed

consolidated interim financial statements for the three and nine months ended September 30, 2011. With the introduction of the G 2.0 product and the write off of the Vindicator Beta unit inventory, the Company also wrote off the intangible asset related to the Vindicator Beta of $4,967,146 as of September 30, 2011.

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 Company's quarterly operating results have varied in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

	----------(Unaudited)----------							
(In thousands, U.S. dollars)	**Q3 FY11**	**Q2 FY11**	**Q1 FY11**	**Q4 FY10**	**Q3 FY10**	**Q2 FY10**	**Q1 FY10**	**Q4 FY09**
Statement of Operations								
Revenue	348	-	390	500	8	-	-	-
Net loss Attributable to Owners	(10,177)	(2,186)	(7,409)	(4,837)	(3,680)	(3,810)	(3,123)	(4,155)
Loss per share	(0.10)	(0.03)	(0.09)	(0.07)	(0.07)	(0.07)	(0.06)	(0.08)

Note: The quarterly information has been prepared in accordance with IFRS except for FY09, which is in accordance with Canadian GAAP.

Liquidity and Capital Resources

At September 30, 2011, the Company's principal source of liquidity was cash and cash equivalents of $9,329,036. The Company's consolidated long-term debt obligation consists of Falcon Fifty LLC's note in the original amount of $4.6 million for the purchase of a Falcon 50 aircraft. The ten-year note bears a fixed interest rate of 7.17% per annum. One hundred twenty consecutive monthly installments of $40,649 became due commencing November 1, 2009, with a balloon payment of $2,300,000 due with the final installment. The Company has executed interest-bearing finance leases for technical equipment required for the development and manufacture of its products.
During the nine months ended September 30, 2011, cash used in operating activities was $11,108,608 compared to cash used in operating activities of $11,139,981 for the nine months ended September 30, 2010

Investing activities, consisting of purchase of property and equipment, used cash of $282,219 for the nine months ended September 30, 2011. Investing activities used cash of $986,349 for the nine months ended September 30, 2010. Investing activities for the nine months ended September 30, 2010 consisted primarily of product development costs related to the development of the Vindicator Beta. The Company capitalized Vindicator Beta development costs through June 15, 2010. Cash used for product development is included in operating activities subsequent to that date. Purchase of property and equipment used cash of $178,690 for the nine months ended September 30, 2010.

Financing activities provided cash of $13,973,396 and $4,716,096 for the nine months ended September 30, 2011 and 2010, respectively. Cash provided by financing activities in 2011 is attributable to the short form prospectus offering completed in August 2011, which provided net cash of $13,898,073, and non-controlling interest capital contribution (related to Falcon Fifty LLC), which provided cash of $356,987. Payments of finance lease obligations and repayments of borrowings associated with the aircraft owned by Falcon Fifty LLC used an aggregate of $281,664 for the nine months ended September 30, 2011. For the nine months ended September 30, 2010, net proceeds from a private placement provided cash of $4,677,926. Cash provided by non-controlling interest capital contribution (related to Falcon Fifty LLC) and proceeds from the exercise of stock options was $201,121 and

$65,000, respectively, while payments of finance lease obligations and repayments of borrowings associated with the aircraft owned by Falcon Fifty LLC used an aggregate of $227,951 for the nine months of 2010.

The Company's principal uses of cash since inception have been for the development of products, general and administrative activities and capital expenditures. Going forward, additional funds will be needed for continued engineering efforts, customer support, sales and marketing, and manufacturing expenses as the Company accelerates its commercialization efforts.

Until the Company is able to generate significant revenue and achieve profitable operations, it will continue to rely on equity and debt financing to fund its cash requirements. The Company has incurred significant operating losses since inception. There is no guarantee that the Company's operations will yield positive results in the future. There can be no assurance that new capital will be available as necessary to meet the Company's continuing expenditures, or if the capital is available, that it will be on terms acceptable to the Company.

On August 5, 2011, the Company completed its best efforts short form prospectus offering of units and common shares of the Company generating gross proceeds of approximately CDN $15 million. Each unit was priced at CDN$0.40 and consisted of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of CDN$0.60 per share at any time within two years following the closing of the offering. Each common share sold separately from units was priced at CDN$0.35. A total of 6,807,121 units (consisting of 6,807,121 common shares and 3,403,561 whole warrants) and 35,214,574 stand-alone common shares were issued under the offering. The agent under the offering received a cash fee equal to 6% of the gross proceeds raised through the offering. In addition, the Company granted the agent compensation options, exercisable at any time within two years following the closing of the offering, to purchase: (a) 2,112,875 common shares of the Company at an exercise price of CDN$0.35 per share; and (b) 408,912 units of the Company at an exercise price of CDN$0.40 per unit, with each unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of CDN$0.60 per share at any time within two years following the closing of the offering. Transaction costs totaling $1,438,198 were offset against the proceeds of the offering. Net proceeds recorded to equity in connection with the offering were $13,898,073. Of the total net proceeds, $273,380 is allocated to warrant liability, $4,203 is allocated to capital stock and $13,620,490 is allocated to equity.

Commitments, Contingencies and Off-Balance Sheet Arrangements

As at September 30, 2011, the Company had no commitments for material capital expenditures, no contingencies and no off-balance sheet arrangements, except for the office space lease and the 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") as disclosed in Note 14 to the unaudited condensed consolidated interim financial statements.

The Company is occasionally named as a party in various claims and legal proceedings, which arise during the normal course of its business.

On September 27, 2011, CWL and CTW filed an action against OADS and Philip L. Rogers in Virginia Circuit Court for Prince William County seeking a preliminary and permanent injunction and other relief for recovery of essential tangible and intangible property of CTW that CTW has alleged in its complaint is being detained by OADS and Mr. Rogers in violation of applicable Virginia law and their respective contractual obligations to CTW.

Effective October 22, 2011, CTW withdrew its membership in Falcon Fifty LLC ("Falcon Fifty"), which was originally formed in July 2009 to acquire a Falcon 50 aircraft. As a result, CTW has relinquished its interest in the aircraft.

On November 2, 2011, OADS and Mr. Rogers asserted counterclaims for breach of the Sublease Agreement between CTW and OADS dated September 3, 2008, which Sublease Agreement expired on August 31, 2011, and for breach of Mr. Rogers's employment agreement with the Company. Mr. Rogers has asserted a claim of $1,227,233 in severance under his employment agreement, and OADS has asserted $83,983 in damages for alleged breach of the Sublease Agreement.

On November 4, 2011, the Prince William County Circuit Court ordered enforcement of a mandatory mediation provision in the Licensing Agreement between CTW and OADS and temporarily stayed all further proceedings in the action for 90 days, with the exception of a preliminary injunction hearing already scheduled for November 9, 2011. At that hearing, the court entered an electronic evidence preservation order directing OADS and Mr. Rogers to maintain all electronic files in their current condition without changes, modifications or deletions and to produce a comprehensive index of all software and data files currently stored on certain computers and servers in the possession of OADS and Mr. Rogers within 30 days. A date of January 16 and 17, 2012 has been set for court-ordered mediation.

In order to compel access to necessary information and for other declaratory relief, on October 12, 2011 CTW filed a Complaint in the Delaware Chancery Court against Falcon Fifty, Tristar Aviation LLC (Falcon Fifty's sole member), Apogee Holdings LLC (Tristar Aviation LLC's sole member), and Apogee Holding LLC's owners, Philip and Alisa Rogers. In response to that Complaint, these defendants filed motions on November 14 and 15, 2011 to dismiss this case based on various grounds and to disqualify CTW's legal representation. The schedule for resolution of these motions and the case has yet to be determined by the Chancery Court.

On November 10, 2011, CTW received a copy of a Complaint filed by Philip Rogers and Alisa Rogers against the CTW in the Circuit Court for Prince William County, Virginia on October 28, 2011. Pursuant to the Complaint, Mr. and Mrs. Rogers have asserted a claim for confirmation of the validity of the indemnity agreement executed by CTW in favor of Mr. and Mrs. Rogers for any claims made against the Rogers' in the event of a default under security granted by Falcon Fifty to VFS Financing, Inc. for the financing of the Falcon 50 aircraft. If the indemnity agreement is held to be valid and binding on CTW, CTW believes that its potential exposure under the indemnity agreement is approximately USD$4.2 million, less the proceeds from the eventual sales of the aircraft, plus any applicable interest, penalties and costs associated therewith.

Contractual Obligations and Indebtedness

The Company's consolidated contractual obligations relate to long-term debt, guaranteed minimum royalty payments, and lease payments as summarized below. The Company had no other indebtedness or off-balance sheet arrangements as at September 30, 2011.

The table below summarizes the future cash flow requirements for consolidated lease, royalty and long-term debt obligations as at September 30, 2011:

		------------------------------------(Unaudited)-------------------------------------					
Contractual Obligations (in US Dollars)		Total	2011	2012	2013	2014	2015 and beyond
Operating leases		$68,625	$17,156	$51,469	-	-	-
Finance lease obligations		$86,670	$42,424	$43,453	$793	-	-
Long-term debt		$6,202,342	$121,948	$487,793	$487,793	$487,793	$4,617,015
Royalties (1)		$2,125,000	$125,000	$500,000	$500,000	$500,000	$500,000
Total Contractual Obligations		$8,482,637	$306,528	$1,082,715	$988,586	$987,793	$5,117,015

(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. Accordingly, the Company began paying OADS the guaranteed minimum royalty as of September 30, 2011. As the royalty is perpetual and therefore the total obligation cannot be calculated, this table includes $500,000 for year 2015 in the column entitled "2015 and beyond".

Transactions with Related Parties

As noted earlier in this MD&A, CWL and OADS share common ownership. The management of OADS is considered to have significant influence over CWL and OADS is considered a related party for purposes of accounting under IAS 24 "Related Party Disclosures".

As disclosed in Notes 14 and 16 to the unaudited condensed consolidated interim financial statements of CWL for the quarter and nine months ended September 30, 2011, CTW and OADS executed a Licensing Agreement, a services agreement, and a sublease agreement and amendments for office and support space. Under the terms of the services agreement between CTW and OADS dated September 3, 2008 (the "Services Agreement"), OADS provided the Company on a non-exclusive basis with engineering and research and development services related to the technology licensed from OADS under the Licensing Agreement, as well as general administrative support. As disclosed in Note 16 of the unaudited condensed consolidated interim financial statements for the quarter and nine months ended September 30, 2011, effective October 1, 2010, CTW and OADS amended the Services Agreement. Under the terms of the original Services Agreement, OADS' services were billed to CTW on a time and materials basis. Per the amendment, OADS charged CTW for technical and administrative support services at a fixed price per month. At no time would the fixed price exceed what fees would have been in any applicable quarter on a time and materials basis. CTW has not used the services of OADS since August 31, 2011.

Under the terms of the amended Services Agreement, the current monthly fixed fee arrangement charged by OADS to the Company for services provided could be terminated by OADS as of the date on which Mr. Rogers ceased to be Chief Executive Officer of the Company. In this case, the fees set forth in the original Services Agreement, which are OADS' standard rates charged to its most favored customers on a time and materials basis, would become effective. On July 26, 2011, CTW and OADS entered into a non-binding letter of intent ("LOI") memorializing their intentions to extend the fixed fee arrangement under the Services Agreement under certain conditions

notwithstanding the cessation of Mr. Rogers service as Chief Executive Officer of the Company, and with respect to their relationship under the Sublease Renewal Extension Agreement (discussed below). The LOI expired on August 31, 2011 without the entry into a definitive agreement by CTW and OADS with respect to a fixed fee arrangement under the Services Agreement and with respect to the Sublease Renewal Extension Agreement, and Mr. Rogers ceased to be Chief Executive Officer of the Company, and Director of CWL, effective September 1, 2011. The Company has not utilized OADS services subsequent to August 31, 2011.

Per the Licensing Agreement, the Company will pay to OADS an annual running royalty calculated as a percentage on net sales of royalty product by the Company or a sublicensee. CTW has a commitment to make guaranteed minimum royalty payments to OADS under the terms of the Licensing Agreement as disclosed in Note 14 of the unaudited condensed consolidated interim financial statements for the quarter and nine months ended September 30, 2011.

As disclosed in Note 14 of the unaudited condensed consolidated interim 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 renewed 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 was payable at the rate of $22.66 annually per square foot during the first year of the renewal term and $23.34 annually per square foot during the second year of the renewal term. Effective July 8, 2010, CTW extended the term of the Sublease Renewal Agreement with the execution of a Sublease Renewal Extension Agreement ("the Sublease Renewal Extension Agreement") with OADS. Per the Sublease Renewal Extension Agreement, the Sublease Renewal Agreement was extended for nine years commencing September 1, 2011 until August 31, 2020. During the extension term, rent was payable by CTW to OADS at a rate equal to the current fair market value per square foot as of September 1, 2011, to be mutually agreed by the parties, with an annual escalation of three percent (3%) per year beginning on September 1, 2012 and every year thereafter during the remainder of the Extension Term. If CTW and OADS did not come to an agreement in writing by August 31, 2011 regarding a fair market value rental rate, the Sublease Agreement, as renewed by the Sublease Renewal Agreement and as further extended by the Sublease Renewal Extension Agreement, would terminate. On July 26, 2011, CTW and OADS entered into the LOI memorializing their intentions regarding their relationship under the Sublease Renewal Extension Agreement and the Services Agreement. The LOI and Sublease Extension Renewal Agreement each expired on August 31, 2011 without entry into a definitive agreement by CTW and OADS regarding the Sublease Renewal Agreement and the Services Agreement.

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. The unaudited condensed consolidated interim financial statements for the quarter and nine months ended September 30, 2011 reflect total labor charges from OADS of $1,236,283 and $4,921,329, respectively, as compared to $2,189,935 and $6,157,098 for the quarter and nine months ended September 30, 2010 as detailed in Note 16 to the unaudited condensed consolidated interim financial statements.

Other related party transactions between OADS and CTW reflected in the unaudited condensed consolidated interim financial statements for the three months ended September 30, 2011 and 2010 include non-labor general and administrative expense of $57,050 and $54,274, respectively. For the nine months ended September 30, 2011 and 2010, non-labor general and administrative and royalty expenses recorded were $354,904 and $128,226, respectively.

Falcon Fifty LLC

On July 6, 2009, CTW became a 75% member in Falcon Fifty LLC, an entity created for the purpose of providing aviation management services. The remaining 25% membership interest in Falcon Fifty LLC is held by a company ("Tristar"), whose sole member is owned entirely by a former officer and former directors of the Company and who are significant shareholders of the Company, and hold a majority of the ownership interests in OADS. On September 21, 2009, Falcon Fifty LLC and its members executed an agreement to purchase a Falcon 50 aircraft for $5 million. Falcon Fifty LLC made an initial deposit of $400,000 and executed a ten-year note in the amount of $4,600,000 for

the purchase of the Falcon 50 aircraft. The note bears a fixed interest rate of 7.17% per annum. One hundred and twenty consecutive monthly installments of $40,649 became due commencing November 1, 2009, with a balloon payment of $2,300,000 due with the final installment on November 1, 2019. The note is collateralized by the Falcon 50 aircraft with a carrying value of $2,600,000 as of September 30, 2011. The aircraft has been recorded as an asset on the financial statements of Falcon Fifty LLC and is being depreciated using the straight-line method over an estimated useful life of fifteen years. At September 30, 2011, the Company determined that the value of the aircraft was impaired and consequently wrote the carrying value down to its estimated recoverable amount, which is the fair value less costs to sell. This resulted in an impairment loss of $2,271,430 recorded in the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011.

On June 22, 2010, in connection with the CWL Cayman Islands re-domestication and in order to comply with Federal Aviation Administration regulations concerning citizenship requirements for aircraft registered in the United States, Tristar and CTW executed an amendment to the original July 6, 2009 Falcon Fifty LLC operating agreement. Per the amendment, Tristar became the manager of Falcon Fifty LLC and increased its voting rights in Falcon Fifty LLC to 75% while retaining its 25% membership (and economic) interest. Conversely, CTW's voting rights in Falcon Fifty LLC were reduced to 25%.. As a result, CTW no longer held voting control of Falcon Fifty LLC, and therefore could not control decisions made by the members of Falcon Fifty LLC. However, any change in the managers of Falcon Fifty, including the addition of new managers, or any sale or other disposition of any aircraft owned by Falcon Fifty, including the Falcon 50 aircraft, required approval by greater than 80% of the votes of all members of Falcon Fifty. In accordance with accounting guidelines, the Company has included the operations of Falcon Fifty LLC in its consolidated financial statements from July 6, 2009, as it is considered a 75% member. As disclosed in Note 17, on October 1, 2010, CTW management committed to a plan to sell its 75% membership interest in Falcon Fifty LLC. CTW's membership interest was listed for sale with a third-party aircraft broker in October 2010. CTW intended to sell its membership interest if it was able to do so on terms it deemed acceptable. The Company withdrew from Falcon Fifty LLC effective October 22, 2011.

On April 29, 2011, Falcon Fifty LLC and OADS entered into an Aircraft Maintenance Agreement, effective as of July 6, 2009 (the "Aircraft Maintenance Agreement"), which provided for the reimbursement to OADS of certain ordinary course aviation maintenance and travel related services that were previously provided to Falcon Fifty LLC under the Services Agreement, and which services were not included in the fixed fee arrangement under the amended Services Agreement in effect since October 1, 2010. Transactions between Falcon Fifty LLC and OADS are measured at the exchange amount, which is the consideration established and agreed to by the two parties. OADS charges Falcon Fifty LLC for the services on a time and materials basis at OADS' standard rates for its most favored customers, or at such lower rates as may be agreed to in writing by the parties. Payments made by Falcon Fifty LLC to OADS under the agreement are to be paid within thirty (30) days of the date such payment is due, unless disputed in good faith by Falcon Fifty LLC. Payments are due when the invoice for work done by OADS has been approved by Falcon Fifty LLC. Interest on all overdue payments accrues at the Prime Rate plus 3% per annum until payment of the total amount owing under the overdue invoice, including all interest, is received by OADS. Each of OADS and Falcon Fifty LLC have the right to terminate the agreement at any time upon thirty (30) days prior written notice to the other party. Each party to the Aircraft Maintenance Agreement has agreed to indemnify the other party for all losses and expenses caused by the willful misconduct, negligence or material breach of the indemnifying party.

As reported in Note 17 to the unaudited condensed consolidated interim financial statements, effective October 15, 2010, Falcon Fifty LLC entered into an aircraft operating agreement with an aircraft charter company to engage the charter company to operate the Falcon 50 aircraft as a Federal Aviation Regulation Part 135 Air Charter when the aircraft is not being used by a member of Falcon Fifty LLC. In addition, Falcon Fifty LLC has pursued leasing the aircraft under Federal Aviation Regulation Part 91, independent of the aircraft charter agreement.

Due to/from Related Party

At September 30, 2011 and December 31, 2010, the Company owed a consolidated net balance of $17,071 and $74,388, respectively, to OADS for labor charges and administrative costs. Included in the consolidated balance due at September 30, 2011 and December 31, 2010 is a balance of $210 and $99,195, respectively due to OADS from Falcon Fifty LLC for labor and material charges.

At September 30, 2011 and December 31, 2010, included in accounts receivable is a balance of $2,589 and $2,459, respectively, due from OADS to the Company for the cost of materials and third-party consultants paid for on behalf of OADS. Also included in accounts receivable is a balance of $53,613 and $12,590 due from Tristar Aviation at September 30, 2011 and December 31, 2010, respectively.

Compensation of Key Management Personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including members of the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors and the Chief Executive Officer. Key management personnel are considered to be related parties under IFRS. Information related to remuneration of key management personnel for the three and nine months ended September 30, 2011 is contained in Note 16 to the unaudited condensed consolidated interim financial statements.

Future Accounting Changes

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending December 31, 2011, and accordingly, have not been applied in preparing the condensed consolidated financial statements for the three and nine months ended September 30, 2011. These new standards, amendments to standards and interpretations are described in Note 4 of the condensed consolidated interim financial statements for the three months ended March 31, 2011.

TRANSITION TO IFRS

The Company has adopted IFRS as of January 1, 2011. The accompanying unaudited condensed consolidated interim financial statements, including 2010 comparative figures, have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The financial statements have been prepared in accordance with the accounting policies described in Note 4 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011 and more fully disclosed in Note 4 of the condensed consolidated interim financial statements for the three months ended March 31, 2011. Critical estimates and judgments required for the preparation of the Company's financial statements under IFRS are detailed in Note 3 of the condensed consolidated interim financial statements for the three months ended March 31, 2011.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. Reconciliations prepared in accordance with IFRS 1 are provided in Note 5 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011.

The Company has also completed changes to its internal controls over financial reporting and disclosure controls and procedures for IFRS, which included enhancement of existing controls and the design and implementation of new controls, where needed. No material change in internal controls over financial reporting or disclosure controls and procedures resulted from the adoption and implementation of IFRS.

Initial IFRS 1 elections upon adoption

The guidance for the first-time adoption of IFRS is set out in IFRS 1, which provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS. The IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS are disclosed in Note 5 of the condensed consolidated interim financial statements for the three months ended March 31, 2011.

The Company has finalized its unaudited opening balance sheet as well as the unaudited financial statements for each of the 2010 quarters based on the accounting policies disclosed in Note 4 for the three and nine months ended September 30, 2011 and more fully disclosed in Note 4 of the condensed consolidated interim financial statements for the three months ended March 31, 2011. In the completion of the conversion to IFRS, certain preliminary unaudited figures were changed resulting in an increase in equity on the IFRS transitional balance sheet of

approximately $22 thousand and a decrease in the 2010 net loss and total comprehensive loss of approximately $1.5 million from that previously reported for 2010 under Canadian GAAP.

The following is a partial summary of items that were impacted by the IFRS changeover. A detailed discussion of the impact of the transition to IFRS is found in Note 5 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011.

Property and equipment
The Company applied IAS 17, Leases on a retrospective basis. Under Canadian GAAP, the present value of the minimum lease payments is calculated using the interest rate implicit in the lease or the lessee's incremental borrowing rate, whichever is lower. The present value of the minimum lease payments under IFRS is calculated using the interest rate implicit in the lease. The effect of implementing this provision of IAS 17 resulted in quantitative changes to accounts as detailed in Note 5 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011.

Under IAS 16, Property, Plant and Equipment, the depreciable amount of a depreciable asset is its cost less its residual value. Under Canadian GAAP, annual depreciation is based on the greater of cost less salvage value over the life of the asset, and cost less residual value over the useful life of the asset to the enterprise. The effect of implementing this provision of IAS 16 resulted in quantitative changes to accounts as detailed in Note 5 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011.

Stock-based compensation
Under IFRS 2, Share-based Payment, each installment that vests must be accounted for as a separate arrangement with its own distinct fair value measurement, and compensation cost for each tranche is recognized over its own distinct vesting period. Under Canadian GAAP, the Company recognized options that vest in installments as a single pool with a fair value based on the average life of the instruments. IFRS 2 also requires an entity to make a forfeiture estimate at the measurement date as opposed to Canadian GAAP, which gives an entity the choice of estimating the expected forfeiture rate at the date of grant or recognizing the impact of actual forfeitures as they occur. The Company recognized actual forfeitures as they occur under Canadian GAAP. The effect of implementing IFRS 2 resulted in quantitative changes to accounts as detailed in Note 5 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011.

Warrants
The warrants issued in the August 2011short form prospectus offering and the April 2010 and November 2010 private placements have an exercise price denominated in Canadian dollars. Under Canadian GAAP, warrants are accounted for at their carrying value within shareholders' equity. Under IFRS, warrants that have an exercise price denominated in a currency other than the Company's functional currency meet the definition of a derivative financial liability and are recorded as a financial liability and are marked-to-market each reporting period with the subsequent change in fair value recognized as gains or losses in the Statement of Loss and Comprehensive Loss until they are exercised or expired. In accordance with IFRS, the warrants do not meet the definition of an equity instrument and are recorded at fair value as a derivative financial liability. There was no impact to the opening balance sheet. The effect of implementing this provision resulted in quantitative changes to the net loss as detailed in Note 5 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

Capital Stock

As at the date of this MD&A, CWL has outstanding: (a) 122,513,614 common shares, (b) no shares of restricted voting shares or preferred stock; (c) 23,291,881 warrants to acquire 13,349,740 common shares at prices ranging from CDN $0.55 per share to CDN $2.20 per share; (d) employee, director, officer and consultant options to purchase 4,886,477 common shares at prices ranging from CDN $0.16 per share to CDN $2.19 per share; (e) 2,364,575 compensation options (issued to agents) to purchase 2,364,575 common shares at prices ranging from CDN $0.34 to CDN $0.35 per share; and (f) 1,447,893 compensation options (issued to agents) to purchase 1,447,893 units of CWL, with each unit comprised of one common share and either one-half of one common share purchase warrant or one whole warrant to purchase one-half of one common share, with the exercise price of each unit ranging from CDN $0.39 to CDN $0.40 per unit, and the exercise price of such warrants to acquire one whole common share ranging from CDN $0.55 to CDN $0.60 per share.

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

Risk Factors

Given the speculative nature of the business of the Company, an investment in the shares of CWL should only be considered by those persons who can afford a total loss of their investment. The risks presented below should not be considered to be exhaustive and may not represent all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. A fuller description of these and other risks and uncertainties that you should carefully consider are detailed in the Filing Statement, the AIF 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 Beta and other laser-based wind sensor products, the Company’s ability to anticipate and adapt to its marketplace, the ability to attract customers and meet its targeted growth plan, and the ability to identify, attract and retain qualified personnel.

(b) Because the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing and market adoption/acceptance decisions, of a relatively consolidated customer base.

(c) Certain duties within the Company’s accounting and finance departments are not properly segregated due to the small number of individuals employed in these areas. These deficiencies may be considered to be a significant deficiency in internal control, or a material weakness resulting in a more than remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected.

(d) The Company will require additional financing to fund growth in working capital, to make further investments, and/or to complete development and commercial production of its products. The ability of the Company to arrange such financing in the future will depend in part on prevailing capital market conditions and the financial success of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms, or at all.

(e) Competition within the markets in which the Company operates is intense and is expected to increase in the future as the wind energy market matures. While the Company has few known competitors, some have longer operating histories and may possess greater financial and marketing resources. There is no assurance that the Company will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates.

(f) Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business.

(g) Any liability for damages resulting from defects in, or malfunctions, of the Company's products or other costs incurred to remedy problems relating to the Company's products, such as recalls, could be substantial and could increase the Company's expenses and prevent growth of its business. The Company's products will be sold with a warranty, which could expose the Company to significant warranty expenses. Furthermore, a defect in, or malfunction of, any of the Company's products could result in tort or warranty claims. A well-publicized actual or perceived problem could adversely affect the market's perception of the Company's products. This could result in a decrease in demand for the Company's products, which could have a material adverse effect on its business, financial condition, liquidity and results of operations.

(h) The Company has licensed the technology, which forms the basis of the Vindicator from OADS pursuant to the terms of the Licensing Agreement. In the event that the Company commits a material breach of its obligations under the Licensing Agreement or made any material misrepresentation in anticipation of entering into the Licensing Agreement and, after receiving notice of such breach or misrepresentation, the Company does not cure the relevant breach within sixty (60) days after receipt of such written notice, OADS may, at its discretion: (a) terminate the Licensing Agreement; and/or (b) terminate the licenses granted to the Company under the Licensing Agreement by giving written notice of termination to the Company. In addition, OADS may terminate the Licensing Agreement in the event of the bankruptcy or insolvency of the Company. If the Licensing Agreement is terminated prior to the expiration of any licensed patent or copyright, all rights granted to the Company under the Licensing Agreement shall cease and revert back to OADS, and the Company shall not be permitted to thereafter make, use, offer to sell, sell, or import any products derived from the licensed technology, including the Vindicator.

(i) The Company has not conducted a comprehensive review of any of the patent applications that OADS has filed and cannot verify if the disclosure provided in the specification of each patent application is enabling and sufficient to obtain enforceable patent rights in such jurisdiction.

(j) The Company has not conducted a freedom to operate or clearance assessment of its ability to use or exploit the patent rights or technology licensed under the Licensing Agreement in any market. Such an assessment might uncover patent or other rights owned by third parties that could delay or halt the Company's ability to proceed with certain features of its products, and if that were the case, the Company might not be able to obtain a license to, or design around, such third party rights, if any.

(k) The Company has decided to terminate its dependence on OADS. It may take some time to hire technical staff 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. 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. 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 outsource the production of these units to qualified contract manufacturers.

(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.

(p) The unaudited condensed consolidated interim financial statements of the Company for the quarter and nine months ended September 30, 2011 have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has historically incurred significant losses. Historically, the Company has financed its operations and capital requirements mainly through issuances of equity. While these initiatives were planned to enable the Company to improve its ability to generate cash from its operations, the Company's continuation as a "going concern" is uncertain and is dependent upon, amongst other things, attaining a satisfactory revenue level, the support of its customers, its ability to achieve profitable operations, the generation of cash from operations, and upon its ability to obtain new financing arrangements and new capital in the future if required. There can be no assurance that new capital will be available if required to meet the Company's continuing expenditures, or if the capital is available, that it will be on terms acceptable to the Company. The Company will seek to achieve profitability from its existing operations by focusing on building and increasing sales, continuing to seek efficiency improvements and by pursuing opportunities for financing or strategic partnerships. There can be no assurance that such undertakings will materialize on a timely basis or be obtained on favorable terms. If the Company is unable to achieve profitability from its existing operations and is unable to obtain additional financing, management may be required to curtail or cease the Company's operations. If the "going concern" assumption was not appropriate for the unaudited condensed consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

(q) Due to its limited commercial history, the Company may not be able to accurately forecast sales, cost of goods and resultant cash burn as it ramps up to meet forecasted growth. Any failure to accurately forecast these items could have a material adverse impact on the Company's business, including the Company's ability to achieve its stated business objectives.

(r) For U.S. federal income tax purposes, under Section 7874 of the Internal Revenue Code of 1986, as amended, or the Code, the Company is considered a U.S. corporation, even though it has redomesticated to the Cayman Islands. Any dividends will be treated as income derived from sources within the United States and, if paid to non-U.S. holders of the Company's shares, generally will be subject to U.S. federal

withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable income tax treaty.

(s) The Company will likely be considered an "inverted domestic corporation" for purposes of certain U.S. federal government procurement regulations that prevent inverted domestic corporations and their subsidiaries from contracting with the U.S. federal government. While the Company does not currently earn revenues as a result of contracts with the U.S. federal government, if in the future management wished to bid for U.S. federal government contracts the Company would likely be prohibited from obtaining such contracts.

(t) The Company believes that it qualifies as a "foreign private issuer" ("Foreign Private Issuer") as defined in Rule 3b-4 of the *United States Securities Exchange Act of 1933*, as amended. However, if in the future more than 50% of the Company's common shares were to be held by residents of the United States, the Company would cease to qualify as a Foreign Private Issuer. The Company cannot control acquisitions of its common shares by United States residents purchasing in the secondary market. Loss of Foreign Private Issuer status would subject the Company and its shareholders to more onerous United States securities law regulations relating to the issuance and resale of the Company's securities. Should the Company cease to qualify as a Foreign Private Issuer it may be required to register the Common Shares with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC may result in the Company incurring significant additional legal, accounting and other expenses.

(u) In July 2011, the board of directors of the Company established a special committee to immediately initiate a search for a new Chief Executive Officer of the Company. The Company cannot predict when a new Chief Executive Officer will be appointed or whether that individual will perform in accordance with the expectations and objectives established by the board of directors of the Company. Failure by the Company to appoint a new Chief Executive Officer in a timely manner could have a material adverse effect on the business, financial condition, liquidity and results of operations of the Company.

(v) On November 10, 2011, CTW received a copy of a Complaint filed by Philip Rogers and Alisa Rogers against CTW in the Circuit Court for Prince William County, Virginia on October 28, 2011. Pursuant to the Complaint, Mr. and Mrs. Rogers have asserted a claim for confirmation of the validity of the indemnity agreement executed by CTW in favor of Mr. and Mrs. Rogers for any claims made against the Rogers' in the event of a default under security granted by Falcon Fifty to VFS Financing, Inc. for the financing of the Falcon 50 aircraft. If the indemnity agreement is held to be valid and binding on CTW, CTW believes that its potential exposure under the indemnity agreement is approximately USD$4.2 million, less the proceeds from the eventual sales of the aircraft, plus any applicable interest, penalties and costs associated therewith. Any such judgment would have a material adverse effect upon the Company.

(w) On November 2, 2011, OADS and Mr. Rogers asserted counterclaims for breach of the Sublease Agreement between CTW and OADS dated September 3, 2008, which Sublease Agreement expired on August 31, 2011, and for breach of Mr. Rogers' employment agreement with the Company. Mr. Rogers has asserted a claim of $1,227,232 in severance under his employment agreement, and OADS has asserted $83,983 in damages for alleged breach of the Sublease Agreement. Any such judgment would have a material adverse effect upon the Company.

Additional Information Additional risk factor discussion can be found in the 'Risk Factors' section of the Filing Statement, the AIF 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.