

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

(Expressed in United States dollars)

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Financial Statements
December 31, 2009

(Expressed in United States dollars)

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Auditors' Report

To the Shareholders of
Catch the Wind Ltd.

We have audited the consolidated balance sheets of Catch the Wind Ltd. as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and deficit, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 6, 2010

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Balance Sheets
As at December 31,

	2009	2008
(Expressed in United States dollars)	\$	\$
Assets		
Current assets:		
Cash and cash equivalents	10,616,065	9,143,767
Accounts receivable (Note 13)	119,627	-
Inventory (Note 4)	1,667,997	230,931
Prepaid expenses and other assets	107,719	103,902
	12,511,408	9,478,600
Capital assets (Note 5)	6,486,358	28,140
Project development costs (Note 6 and 13)	5,889,286	3,075,002
Deposits	77,045	4,499
Total assets	24,964,097	12,586,241
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	1,339,905	826,750
Due to related party (Note 13)	355,685	527,135
Obligations under capital leases - current portion (Note 11)	179,633	-
Long-term debt - current portion (Note 14)	166,213	-
Deferred revenue and customer deposits	360,000	200,000
	2,401,436	1,553,885
Obligations under capital leases (Note 11)	218,026	-
Long-term debt (Note 14)	4,394,057	-
Total liabilities	7,013,519	1,553,885
Non-controlling interest (Note 15)	182,913	-
Shareholders' Equity		
Capital stock (Note 8)	5,488	3,805
Contributed surplus	31,572,347	13,259,947
Deficit	(13,810,170)	(2,231,396)
Total shareholders' equity	17,767,665	11,032,356
Total liabilities and shareholders' equity	24,964,097	12,586,241
Approved on behalf of the Board:		
(signed) " <i>Philip L. Rogers</i> " Director	(signed) " <i>David A. Samuels</i> " Director	

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the years ended December 31,

	2009	2008
(Expressed in United States dollars)	\$	\$
Expenses:		
Salaries and benefits	2,912,748	544,631
General and administrative	1,356,760	131,542
Inventory writedown - Beta units (Note 4)	4,016,127	-
Amortization	322,434	2,976
Sales and marketing	254,648	218,695
Consulting fees	389,687	187,846
Professional fees	574,666	253,531
Professional engineering fees (Note 13)	1,828,059	679,951
Research	111,394	154,398
Interest expense, long-term debt	91,719	-
Interest expense, leases	50,112	5,490
Interest income	(95,217)	(42,454)
Foreign exchange (gain) loss	(109,459)	94,790
	<u>11,703,678</u>	<u>2,231,396</u>
Loss before non-controlling interest	(11,703,678)	(2,231,396)
Non-controlling interest	(124,904)	-
	<u>(11,578,774)</u>	<u>(2,231,396)</u>
Net loss and comprehensive loss	(11,578,774)	(2,231,396)
Deficit - Beginning of year	(2,231,396)	-
Deficit - End of year	<u>(13,810,170)</u>	<u>(2,231,396)</u>
Net loss per common share - basic and diluted	<u>(0.24)</u>	<u>(0.08)</u>
Weighted average number of common shares outstanding	<u>48,441,552</u>	<u>28,717,440</u>

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Statements of Shareholders' Equity

(Expressed in United States dollars)	Common Shares #	Capital Stock \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
Balance at January 1, 2008	-	-	-	-	-
Proceeds from issuance of common shares	1,000	1	-	-	1
Shares issued upon stock split	24,999,000	2,500	-	-	2,500
Private placement, net proceeds	11,539,000	1,153	12,300,844	-	12,301,997
Reverse takeover event	1,507,784	151	792,349	-	792,500
Stock-based compensation (Note 9)	-	-	166,754	-	166,754
Balance at December 31, 2008	38,046,784	3,805	13,259,947	(2,231,396)	11,032,356
Stock-based compensation (Note 9)	-	-	937,346	-	937,346
Private placement proceeds ⁽¹⁾	16,743,000	1,674	16,779,042	-	16,780,716
Agent stock options (Note 9)	-	-	508,146	-	508,146
Stock option exercises	94,188	9	87,866	-	87,875
Net loss for the year	-	-	-	(11,578,774)	(11,578,774)
Balance at December 31, 2009	54,883,972	5,488	31,572,347	(13,810,170)	17,767,665

⁽¹⁾ Private placement (as defined in Note 10) of 16,743,000 common shares at \$1.30 (CDN) (\$1.118 converted USD) completed on May 20, 2009, net of \$1,937,958 in private placement costs including \$508,146 of costs related to 1,003,080 compensation options given to placement agents.

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2008

	2009	2008
(Expressed in United States dollars)	\$	\$
Operating activities		
Net loss for the year	(11,578,774)	(2,231,396)
Items not affecting cash:		
Amortization	322,434	2,976
Non-controlling interest	(124,904)	-
Stock-based compensation (Note 9)	937,346	166,754
Inventory write down - Beta units	4,016,127	-
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(119,627)	-
Inventory	(6,127,193)	(230,931)
Prepaid expenses and other assets	(3,817)	(103,902)
Deposits	(72,546)	(4,499)
Accounts payable and accrued liabilities	513,155	826,750
Due to related party	(171,450)	-
Deferred revenue and customer deposits	160,000	200,000
Cash used in operating activities	<u>(12,249,249)</u>	<u>(1,374,248)</u>
Investing activities		
Purchase of capital assets	(5,594,436)	(31,116)
Project development costs	(2,814,284)	(3,075,002)
Non-controlling interest - capital contribution	307,817	-
Cash used in investing activities	<u>(8,100,903)</u>	<u>(3,106,118)</u>

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2008

(Continued)

	2009	2008
(Expressed in United States dollars)	\$	\$
Financing activities		
Due to related party	-	527,135
Cash acquired on reverse takeover	-	792,500
Proceeds from issuance of common shares, net of related costs	-	12,304,498
Proceeds from exercise of stock options	87,875	-
Proceeds from short-term borrowings	-	1,000,000
Repayment of short-term borrowings	-	(1,000,000)
Proceeds from private placements	17,288,862	-
Proceeds from long-term borrowings	4,600,000	-
Repayment of long-term borrowings	(39,730)	-
Payments of capital lease obligations	(114,557)	-
Cash provided by financing activities	21,822,450	13,624,133
Increase in cash and cash equivalents	1,472,298	9,143,767
Cash and cash equivalents, beginning of year	9,143,767	-
Cash and cash equivalents, end of year (Note 3)	10,616,065	9,143,767
Supplemental disclosure of cash flow information		
Cash paid for interest	141,937	5,490
Assets acquired under capital leases	512,215	-
Assets transferred from inventory to capital assets	674,000	-

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009

(Expressed in United States dollars)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS AND GOING CONCERN

Catch the Wind, Inc. ("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 to develop, manufacture and sell products based on light detection and ranging ("LIDAR") technology. Its primary product, the Vindicator remote wind sensing system ("the Vindicator"), is a state of the art fiber optic laser sensor 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 out 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 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.

Management of OADS holds a majority of the ownership interests in OADS and also directly or indirectly owns or controls 25,000,000 or 46% of the issued and outstanding common shares of Catch the Wind Ltd. ("CWL" or the "Company"). OADS and CWL are, therefore, under significant influence and OADS is considered a related party for purposes of accounting under Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3840 "Related Party Transactions".

The Company's activities since inception have consisted primarily of company formation, capital raising, business development and marketing, prototype manufacturing and testing related to the Vindicator and Racer's Edge products and other organizational activities. To date, the Company has not recognized any revenues or commenced its principal commercial operations, and is therefore, considered to be in the development stage. For the year ended December 31, 2009, initial sales of \$282,696 were netted against capitalized project development costs as required by the Company's status as a development stage enterprise. The Company had losses of \$(11,578,774) and \$(2,231,396) for the years ended December 31, 2009 and 2008, respectively. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern," which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continuation of the Company as a going concern is dependent upon the Company achieving profitable operations, and/or the ability of the Company to obtain additional financing when necessary. There is no guarantee that the Company's current level of operations will yield positive results. If the "going concern" assumption were not appropriate for these consolidated 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.

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2. REVERSE TAKEOVER TRANSACTION

Pursuant to the terms of an acquisition agreement between Bayview Public Ventures, Inc. ("Bayview") and CTW dated September 3, 2008, CTW completed a reverse takeover of Bayview, a Canadian Capital Pool Company, such that CTW became a wholly owned subsidiary of Bayview and the shareholders of CTW acquired a majority of the common shares of Bayview. CTW, the legal subsidiary, is considered to have acquired the assets and liabilities of Bayview (now CWL), the legal parent. Immediately prior to the completion of the Qualifying Transaction, and following the consolidation of Bayview's issued and outstanding common shares on a 4.99:1 basis, Bayview had outstanding 1,507,784 common shares and 203,407 options to purchase common shares at an exercise price of (CDN) \$0.998 per share. The options previously granted by Bayview remained options of CWL following the change of Bayview's name to "Catch the Wind Ltd.". The options were valued at fair value, being \$13,531, and form part of the cost of the acquisition.

Based on the balance sheet of Bayview prepared in connection with the Qualifying Transaction, the net assets that were acquired by CTW under the Qualifying Transaction were as follows:

- i) As a consequence of the Qualifying Transaction, the Company received cash of \$905,053, receivables of \$7,547, and assumed liabilities amounting to \$120,100 in exchange for stated capital totaling \$792,500.
- ii) For accounting purposes, the acquisition has been treated as a reverse takeover of CTW with CTW as the acquirer, in essence, a recapitalization of Bayview. As such, the historical deficit of Bayview, \$225,316, was eliminated along with its contributed surplus account, \$128,958, in accordance with EIC-10 by charging these amounts to share capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflects the following significant accounting policies:

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation. The consolidated financial statements are presented in United States dollars, which is the Company's functional currency. Certain amounts presented in the prior year's financial statements have been reclassified to conform to the 2009 presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the consolidated financial statements include the recoverability of capitalized project development costs, valuation of inventory, future income tax valuation and determination of stock-based compensation. Actual results could differ from those estimates.

Segment Reporting

The business of the Company 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.

Catch the Wind Ltd.
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Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with financial institutions of \$79,771 (2008 - \$780,890) and short-term, highly liquid investments purchased with original maturities of three months or less of \$10,536,294 (2008 - \$8,362,877).

Inventory

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

Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis. Maintenance and repairs are charged against income when incurred. Amortization is provided using the following methods and periods:

Computer software	3 years straight-line
Computer equipment	3 years straight-line
Vindicator test units	3 years straight-line
Tradeshow booths	5 years straight-line
Furniture and fixtures	5 years straight-line
Test and manufacturing equipment	5 years straight-line
Aircraft	15 years straight-line

Leases

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

Project Development Costs - Intangible Assets

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

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

Catch the Wind Ltd.
(A Development Stage Company)
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

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

Revenue Recognition

Revenue is recognized from product sales when the significant risks and rewards of ownership of the product passes to the customer (which may either be at the time of shipment or upon delivery and acceptance by the customer, depending on the terms of sale), evidence of such arrangement exists, price is fixed or determinable, and collection is reasonably assured. Sales discounts and allowances are recorded in the period in which the sale occurs. The Company records advances received from customers as deferred revenue. For the year ended December 31, 2009, initial sales of \$282,696 (2008-Nil) were netted against capitalized project development costs as required by the Company's status as a development stage enterprise. As at December 31, 2009, the Company had deferred revenue of \$62,500 (2008-Nil) with respect to deposits received from a customer.

Research and Development Costs

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

Stock-Based Compensation

The Company accounts for stock-based compensation granted to directors, officers, employees and third parties using the fair value method of accounting. Accordingly, the fair value of options granted is determined using the Black-Scholes option pricing model. For employees and directors, the fair value is measured at the date of grant and stock-based compensation is recorded over the vesting period, with a corresponding increase to contributed surplus, on a graded vesting basis over the vesting periods. For non-employees, the fair value is remeasured each reporting period until the options vest, and stock compensation is adjusted each reporting period to reflect the repricing. For all stock options issued, if and when the stock options are exercised, the applicable amounts of contributed surplus are transferred together with the proceeds to share capital.

Catch the Wind Ltd.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

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

Net Loss per Share

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

Stock Issuance Costs

Costs associated with the issuance of capital stock are charged directly to share capital.

Financial Instruments

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

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

Catch the Wind Ltd.
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(Expressed in United States dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

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

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

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

Credit Risk and the Fair Value of Financial Assets and Liabilities

Effective January 1, 2009, the Company adopted CICA Emerging Issue Committee Abstract (“EIC”) 173 “Credit Risk and the Fair Value of Financial Assets and Liabilities”. EIC 173 recommends that the determination of fair value of financial assets and liabilities take into account a company’s credit risk as well as the credit risk of the counterparty. The adoption of EIC 173 did not have an impact on the Company’s consolidated financial statements.

Foreign Currency Translation

The Company’s presentation and functional currency is the United States dollar.

The Company owns monetary assets in Canada, and makes payments to certain of its vendors and suppliers in Canada. As such, monetary assets and liabilities are translated at the rate of exchange in effect on the balance sheet date, non-monetary items are translated at historical exchange rates and revenues and expenses are translated at the average rate of exchange for the period in which the transaction occurred. Amortization of non-monetary assets is translated at the same exchange rate as the assets to which they relate. Exchange gains and losses are included in the determination of net income (loss).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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4. INVENTORY

Inventory is comprised of the following categories in accordance with CICA Section 3031 "Inventories." Inventory consists of electronic and optical components used to manufacture the Vindicator and Racer's Edge products, in-process and finished Vindicator and Racer's Edge beta units. During the year ended December 31, 2009, the Company wrote down its inventory to net realizable value for completed beta units by \$4,016,127. Net realizable value was estimated using the 2009 list price of \$125,000 per unit for a Vindicator beta unit and \$149,500 for a Racer's Edge beta unit. There were no inventory valuation adjustments in 2008.

	2009	2008
	\$	\$
Inventory - components	348,647	230,931
Inventory - work in process	169,850	-
Inventory - completed units	1,149,500	-
	<u>1,667,997</u>	<u>230,931</u>

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5. CAPITAL ASSETS

Capital assets consist of the following:

	2009		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and fixtures	65,679	7,264	58,415
Computer equipment	5,193	1,586	3,607
Test and manufacturing equipment	83,937	11,670	72,267
Vindicator test units	674,000	45,139	628,861
Tradeshow booths	105,581	18,534	87,047
Computer software	44,880	11,061	33,819
Aircraft	5,320,283	98,524	5,221,759
Test and manufacturing equipment under capital lease	512,215	131,632	380,583
	<u>6,811,768</u>	<u>325,410</u>	<u>6,486,358</u>
	2008		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and fixtures	14,054	468	13,586
Test and manufacturing equipment	4,033	336	3,697
Computer software	13,029	2,172	10,857
	<u>31,116</u>	<u>2,976</u>	<u>28,140</u>

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6. PROJECT DEVELOPMENT COSTS

Project Development Costs consist of the following as of December 31:

	2009	2008
	\$	\$
Balance, beginning of year	3,075,002	-
Project development costs incurred	2,814,284	3,075,002
Balance, end of year	5,889,286	3,075,002

No amortization expense was recorded with respect to these costs, as the Company has not yet commenced commercial production of the Vindicator unit. The Company recorded the sale of three Vindicator Beta units in the year ended December 31, 2009. Proceeds of \$282,696 (2008-Nil) from these sales have been netted against the development costs as required by the Company's status as a development stage enterprise.

7. INCOME TAXES

Income tax expense has been determined as follows:

	2009	2008
	\$	\$
Loss before income taxes	(11,578,774)	(2,231,396)
Federal income tax rate	34.00%	34.00%
Expected income tax based on statutory rate	(3,936,783)	(758,675)
State and local taxes (net of federal benefit)	(458,519)	(88,363)
Non-deductible expenses	38,978	90,551
Changes in valuation allowance	4,356,324	756,487
	-	-

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7. INCOME TAXES (continued)

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Future tax assets (liabilities) at December 31, 2009 consist primarily of the following:

	2009	2008
	\$	\$
Future tax assets:		
Net operating loss	344,029	10,848
Book and tax base differences on assets and liabilities	4,948,985	745,639
Gross future tax assets	5,293,014	756,487
Valuation allowance	5,159,146	756,487
Net future tax assets	133,868	-
Future tax liabilities:		
Depreciation	133,868	-
Net future tax asset	-	-

The Company has net operating losses carried forward which are available to reduce future years' income for tax purposes which if unused will expire as follows:

Incurred in	Amount	Expire in
	\$	
2009	788,860	2029
2008	117,435	2028
	906,295	

8. CAPITAL STOCK

The Company is authorized to issue 100 million shares of common stock, par value \$0.0001, and 50 million shares of preferred stock, issuable in series, par value \$0.0001, the rights, privileges, restrictions and conditions of which will be fixed by the Board of Directors of CWL. As part of the Qualifying Transaction, the then-existing common shares and options of Bayview (now CWL) were consolidated on a 4.99 to 1 basis, and an aggregate of 36,615,923 common shares of CWL were issued to the former shareholders of CTW, the investors under the private placement and one of the placement agents. As a result, as of December 31, 2008, there were 38,046,784 common shares of CWL issued and outstanding. During 2009, 16,743,000 common shares were issued in a private placement (see Note 10) and 94,188 common shares were issued due to stock option exercises by investors. As of December 31, 2009, there were 54,883,972 common shares issued and outstanding. To date, no preferred shares have been issued.

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9. STOCK OPTIONS

The Company has an Amended and Restated 2008 Stock Option Plan (the "Plan") for the benefit of the directors, officers, employees and consultants of the Company and its affiliates. Under the Plan, and in accordance with the policies of the TSX Venture Exchange, a maximum of 10% of the common shares outstanding of the Company are from time to time reserved for issuance.

During 2009, CTW issued an aggregate of 1,700,000 stock options to directors, officers, employees and consultants of CTW. Of this amount, 560,000 stock options were granted to employees and a director of the Company. In addition, there were 1,140,000 stock options granted to consultants of the Company who are employees of OADS. These consultants possess specialized knowledge of LIDAR technology and are instrumental to the Company achieving its research and development objectives.

Options granted to directors vest over a 2-year period and options granted to officers, employees and consultants vest over a 4-year period. All options granted prior to the approval of the amended Plan in August 2009 expire five years from the date of grant thereof. The amended Plan extends the expiration date of stock options issued after adoption of the Plan to ten years from the date of grant. The exercise price of options granted under the Plan is the closing market price of common shares of the Company on the trading day preceding the date of grant, unless the option grant is made after the close of trading on the grant date, in which case the exercise price of the option grant is the closing market price of common shares of the Company on the date of grant.

In 2009, CTW also issued 1,003,080 options at CDN \$1.30 per share to placement agents in conjunction with the private placement completed on May 20, 2009. Those options had a fair value at \$1.22 per share at the date of grant as measured by the Black-Scholes option pricing model and expire two years from the date of grant.

From inception through December 31, 2009, the Company has issued 3,597,094 stock options to directors, officers, employees and consultants of CWL, CTW and OADS. In addition, a total of 2,305,502 options and warrants have been granted to placement agents and Bayview Public Ventures. There were 5,136,384 stock options outstanding at December 31, 2009.

CTW determined the fair value of the stock options granted under the Plan using the Black-Scholes model with the following assumptions on a weighted average basis:

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9. STOCK OPTIONS (continued)

Employee and director options:

	2009	2008
Exercise price (\$CDN)	\$ 1.51	\$ 1.30
Risk-free interest rate	1.74 %	2.20 %
Dividend yield	nil	nil
Expected volatility	76.37 %	55.29 %
Expected term (in years)	4	4

Non-employee options:

	2009	2008
Exercise price (\$CDN)	\$ 1.63	\$ 1.30
Risk-free interest rate	1.56 %	2.38 %
Dividend yield	nil	nil
Expected volatility	77.24 %	55.00 %
Expected term (in years)	4	4

A summary of the Company's stock option activity is as follows:

	2009		2008	
	Number of Options Outstanding	Weighted Avg. Exercise price (\$CDN) \$	Number of Options	Weighted Avg. Exercise price (\$CDN) \$
Balance, beginning of year	3,164,616	1.28	-	-
Granted	2,703,080	1.49	3,199,616	1.28
Exercised	(94,188)	1.00	-	-
Expired	(62,124)	1.00	-	-
Forfeited	(575,000)	1.33	(35,000)	1.30
Balance, end of year	5,136,384	1.39	3,164,616	1.28

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9. STOCK OPTIONS (continued)

At December 31, 2009 outstanding stock options have the following terms:

Number of Options	Options Outstanding			Options Exercisable	
	Exercise Price (\$CDN)	Weighted Avg. Price (\$CDN)	Expiry Date	Number of Options	Weighted Avg. Price (\$CDN)
2,149,290	1.30	1.30	2011	2,149,290	1.30
47,094	1.00	1.00	2012	47,094	1.00
1,325,000	1.30	1.30	2013	456,248	1.30
50,000	1.30	1.30	2014	-	-
475,000	1.50	1.50	2014	-	-
1,065,000	1.65	1.65	2014	-	-
25,000	1.92	1.92	2019	-	-
5,136,384		1.39		2,652,632	1.29

At December 31, 2008 outstanding stock options have the following terms:

Number of Options	Options Outstanding			Options Exercisable	
	Exercise Price (\$CDN)	Weighted Avg. Price (\$CDN)	Expiry Date	Number of Options	Weighted Avg. Price (\$CDN)
203,407	1.00	1.00	2009	-	-
1,146,210	1.30	1.30	2010	-	-
1,814,999	1.30	1.30	2013	100,000	1.30
3,164,616		1.28		100,000	1.30

The Company recorded employee and consultant stock option expense of \$937,346 and \$166,754 for the year ended December 31, 2009 and 2008, respectively. Stock option expense is included in salaries and benefits on the consolidated statement of loss.

The Company recorded \$508,146 to contributed surplus in the second quarter of 2009 for the 1,003,080 options granted to placement agents as compensation for the Private Placement that closed on May 20, 2009.

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

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10. PRIVATE PLACEMENTS

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

In the third quarter of 2008 and in contemplation of the Qualifying Transaction, CTW undertook a private placement. Each subscription receipt issued by CTW pursuant to the private placement entitled the holder thereof to acquire one common share of CTW, which was subsequently exchanged for one common share of Bayview as part of the completion of the Qualifying Transaction. CTW issued 11,539,000 subscription receipts under the private placement. In connection with the private placement, CTW agreed to pay a commission equal to 7% of the gross proceeds of the private placement to the placement agents and agreed to grant warrants to the agents entitling the holders thereof to acquire an aggregate of 1,146,210 common shares of CTW at an exercise price of (CDN) \$1.30 per share, exercisable for the 24 month period following completion of the Qualifying Transaction. Upon completion of the Qualifying Transaction, these options were exchanged for options to purchase an equal number of common shares of CWL at the same exercise price per share and the same expiry date. Placement costs totaling \$1,996,188 were offset against the proceeds while interest income totaling \$38,887 was included in the proceeds. Net proceeds recorded to equity in connection with the private placement totaled \$12,301,997.

11. CAPITAL LEASE OBLIGATIONS

The Company has entered into capital leases with the following future minimum lease payments as of December 31, 2009 for the years as follows:

	\$
2010	227,239
2011	205,599
2012	<u>33,097</u>
Total minimum lease payments	465,935
Amount representing interest (at rates of 15%)	<u>(68,276)</u>
Present value of minimum capital lease payments	397,659
Less current portion of obligations under capital leases	<u>(179,633)</u>
	<u><u>218,026</u></u>

The obligations under capital lease are secured by the related test and manufacturing equipment.

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12. COMMITMENTS AND CONTINGENCIES

Effective September 3, 2008, the Company entered into a licensing agreement (the "Licensing Agreement") with OADS under which the Company was granted an irrevocable, transferable, exclusive worldwide right and license to develop, produce and sell products based on fiber optic sensing technology developed by OADS. The license can be used for any and all uses and applications, excluding military applications and commercial avionics and airborne instrument applications. The Licensing Agreement also provides the Company with the right to sublease the licensed technology, as defined in the Licensing Agreement to third parties. 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 sub-licensee. 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. Payments of the guaranteed minimum royalty are not to be made until after the date of first sale. Per the terms of the agreement, therefore, and absent the prior sale by the Company of one hundred units of royalty product, the initial quarterly royalty payment of \$125,000 will be paid by the Company to OADS on September 30, 2011 as an advance for the fourth quarter of 2011.

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

In 2009, the Company executed an eighteen-month operating lease with a third party for technical equipment in the amount of \$3,709.65 per month.

Future minimum payments as of December 31, 2009 for the years are as follows:

	\$
2010	67,600
2011	275,783
2012	500,000
2013	500,000
2014	500,000
Total minimum payments	<u>1,843,383</u>

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.

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13. RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE

Management of OADS holds a majority of the membership interests in OADS and also, directly or indirectly, owns or controls 25,000,000 common shares, or approximately 46%, of the common shares of CWL and therefore the management of OADS is considered to have significant influence over CWL. OADS is considered a related party for accounting purposes under CICA Handbook Section 3840, "Related Party Transactions." Transactions between the Company and OADS are measured at the exchange amount, which is the consideration established and agreed to by the two parties. The Company has with OADS an existing licensing agreement (see Note 12), a services agreement, described below, and a sublease agreement (see Note 12).

The costs incurred by OADS prior to January 1, 2008 related to the development of the Vindicator remote wind sensor, the underlying LIDAR technology, and the ownership of patents held by OADS are not reflected in these consolidated financial statements.

Effective September 3, 2008, CTW entered into a services agreement (the "Services Agreement") with OADS under which it engaged OADS, on a non-exclusive basis, to provide technical assistance and other services to the Company as needed on a best-effort, as-available basis. Under the terms of the Services Agreement, OADS' services are billed to CTW on a time and materials basis. CTW also reimburses OADS for direct out-of-pocket expenses incurred on the Company's behalf.

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 members executed an agreement to purchase a Falcon Fifty aircraft for \$5,000,000. For its legal services related to the aircraft transaction, CTW utilized a firm with a noted specialty in aviation law in which a partner is a spouse of an officer of CTW. 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 LLC'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". Included in accounts receivable is a balance of \$79,212 (2008 – nil) due from Tristar Aviation LLC.

In the third quarter of 2009, OADS and CTW executed a purchase agreement whereby OADS would purchase hardware from CTW. The hardware, which consisted of two modified Vindicator units, was purchased by OADS to fulfill its customer contractual obligations. The modified units were sold from CTW's inventory in the normal course of operations under terms and conditions that would apply to an unrelated party. Proceeds of \$189,696 from these initial sales were netted against the development costs as required by the Company's status as a development stage enterprise.

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13. RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE (continued)

The consolidated financial statements for the years ended December 31, 2009 and 2008 reflect the following labor charges from OADS:

Financial Statement Caption	December 31,	
	2009	2008
	\$	\$
Inventory	3,790,939	-
Professional engineering fees	1,828,059	730,085
Research expense	-	115,995
Project development costs - asset	1,730,842	2,437,404
Total labor charges	7,349,840	3,283,484

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

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13. RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE (continued)

All balances payable to OADS are due within 30 days of invoice date. Payments will be due when the invoice for work done by OADS has been approved by CTW. During the year ended December 31, 2009, the Company paid to OADS an aggregate of \$7,539,378 (\$2,065,984 for project development costs, \$1,664,813 for professional engineering fees, \$3,523,189 for inventory work in progress/completed units, \$198,634 for general administrative expenses and \$86,758 for materials) for expenses incurred in 2009. The OADS employees utilized as consultants by the Company possess specialized knowledge of LIDAR technology and are instrumental to the Company achieving its research and development objectives. During the year ended December 31, 2008, CTW paid OADS a total of \$3,391,642 (\$2,437,404 for project development costs, \$730,085 for professional fees, \$115,995 in research and \$108,158 in general administrative, sales and marketing expenses).

14. LONG-TERM DEBT

Long-term debt consists of a ten-year note executed by Falcon Fifty LLC, a 75% owned subsidiary of CTW, and a U.S. financial institution. The note in the amount of \$4,600,000 is for the purchase of a Falcon Fifty 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. The note is collateralized by the Falcon Fifty aircraft.

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

	\$
2010	487,793
2011	487,793
2012	487,793
2013	487,793
2014 and beyond	<u>5,105,169</u>
Total minimum payments	7,056,341
Amount representing interest	<u>(2,496,071)</u>
Present value of minimum payments	4,560,270
Less current portion of obligations	<u>(166,213)</u>
	<u><u>4,394,057</u></u>

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15. OWNERSHIP INTEREST IN FALCON FIFTY LLC

On July 6, 2009, CTW became a 75% equity owner in Falcon Fifty LLC, an entity created for the purpose of providing aviation management services. The remaining 25% equity interest in Falcon Fifty LLC is held by Tristar 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 \$5,000,000. An initial deposit of \$400,000 was made for the aircraft, with the balance of \$4,600,000 financed over a term of 10 years at a fixed rate of 7.17%. One hundred and twenty consecutive monthly installments of \$40,649 are due commencing November 1, 2009, with a balloon payment of \$2,300,000 due with the final installment. The aircraft has been recorded as a fixed asset on the financial statements of Falcon Fifty LLC and is being depreciated using the straight-line method over an estimated useful life of fifteen years.

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 from July 6, 2009. 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." The balance due from Tristar Aviation at December 31, 2009 was \$79,212 (2008 – nil).

The following dollar amounts have been recorded in the consolidated financial statements of the Company related to Falcon Fifty LLC:

	\$
Prepaid expenses	53,166
Capital assets (net)	<u>5,253,022</u>
Total assets	<u>5,306,188</u>
Notes payable	14,269
Long-term debt	<u>4,560,270</u>
	<u>4,574,539</u>
Non-controlling interest	<u><u>182,913</u></u>

16. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to ensure that sufficient resources are available to fund the development and commercialization of its products and to safeguard the Company's ability to continue as a going concern, so that it can provide a return for shareholders. The Company considers its capital to include the shareholders' equity and long-term debt.

Management reviews its capital management approach on an ongoing basis, and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management in the year ended December 31, 2009. The Company is not subject to any externally imposed capital requirements.

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17. FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and balances due to related party approximate their carrying value due to the relatively short-term maturities of these instruments. The fair value of long-term debt approximates its carrying value due to the relatively short time frame between when it was recorded on the consolidated financial statements in September 2009 and the year ended December 31, 2009.

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

The Company may be exposed to risks of varying degrees of significance that affect its ability to achieve its strategic objectives. The main objectives of the Company's risk processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are as follows:

Capital risk

The Company manages its capital to ensure there are adequate capital resources to fund development and commercialization of its laser-based wind sensor products. The capital structure consists of shareholders' equity; capital leases and loans taken out to fund operations and will be affected by the Company's future results of operations and working capital usage until such time as sales of the Company's products occur.

Credit risk

Credit risk is the risk that a client or vendor will be unable to pay any amounts owed to the Company. Management's assessment of the Company's risk is low, and is primarily attributable to money held in the Company's bank account. The Company monitors its investments and balances held at depository institutions, and is satisfied with the credit ratings of its banks.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. Balances owed to the Company's creditors included in accounts payable and accrued liabilities are payable in accordance with the vendors' individual credit terms (i.e., within 30 days of invoice date). The balance due to OADS is repayable within 30 days of invoice date. Payments will be due when the invoice for work done by OADS has been approved by CTW. The Company intends on fulfilling its obligations.

Interest rate risk

The Company has long-term debt bearing a fixed interest rate of 7.17%. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions.

Foreign currency risk

Since the Company operates on an international basis, it is subject to risks and losses resulting from fluctuations in the relative currencies of different countries where its customers or suppliers are located. While the Company will attempt to be prudent in managing such risks, there can be no assurance that the Company will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations. The Company does not use any financial instruments to mitigate this risk.

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18. FINANCIAL INSTRUMENTS

Market risk

Market risk is the risk to the Company that the fair value of future cash flows of financial instruments will fluctuate due to changes in interest rates and foreign currency rates. The Company does not have any financial instruments subject to this risk.

19. SUBSEQUENT EVENT

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

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

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

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

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

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