

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Financial Statements
For the periods ended March 31, 2010 and 2009

(Expressed in United States dollars)

Unaudited

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(Unaudited)

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	<u>Page</u>
Index	2
Consolidated Balance Sheets	3
Consolidated Statements of Loss, Comprehensive Loss and Deficit	4
Consolidated Statements of Shareholders' Equity	5
Consolidated Statements of Cash Flows	6-7
Notes to the Consolidated Financial Statements	8-18

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Balance Sheets
(Unaudited)

	March 31, 2010	December 31, 2009
(Expressed in United States dollars)	\$	\$
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	6,606,450	10,616,065
Accounts receivable (Note 10 and 12)	252,425	119,627
Inventory (Note 4 and 10)	2,625,855	1,667,997
Prepaid expenses and other assets	226,122	107,719
	9,710,852	12,511,408
Capital assets (Note 5)	6,320,743	6,486,358
Project development costs (Note 6 and 10)	6,295,884	5,889,286
Deposits	81,109	77,045
Total assets	22,408,588	24,964,097
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	1,690,857	1,339,905
Due to related party (Note 10)	692,953	355,685
Obligations under capital leases - current portion (Note 8)	195,823	179,633
Long-term debt - current portion (Note 11)	169,210	166,213
Deferred revenue and customer deposits	104,500	360,000
	2,853,343	2,401,436
Obligations under capital leases (Note 8)	184,645	218,026
Long-term debt (Note 11)	4,350,614	4,394,057
Total liabilities	7,388,602	7,013,519
Non-controlling interest (Note 12)	195,772	182,913
Shareholders' Equity		
Capital stock	5,488	5,488
Contributed surplus	31,841,670	31,572,347
Deficit	(17,022,944)	(13,810,170)
Total shareholders' equity	14,824,214	17,767,665
Total liabilities and shareholders' equity	22,408,588	24,964,097

Approved on behalf of the Board:

(signed) "*Philip L. Rogers*"
Director

(signed) "*David A. Samuels*"
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
(Unaudited)

	Three months ended March 31,	
	2010	2009
(Expressed in United States dollars)	\$	\$
Expenses:		
Salaries and benefits	890,394	637,246
General and administrative	730,703	285,617
Inventory writedown - Beta units (Note 4)	54,377	-
Amortization	205,403	20,307
Sales and marketing	48,517	73,732
Consulting fees	110,990	114,451
Professional fees	402,797	40,840
Professional engineering fees (Note 10)	643,600	509,011
Research and development	127,771	-
Interest expense, long-term debt	81,693	-
Interest expense, leases	14,436	6,743
Interest income	(6,821)	-
Foreign exchange gain	(671)	(3,852)
	3,303,189	1,684,095
Loss before non-controlling interest	(3,303,189)	(1,684,095)
Non-controlling interest	(90,415)	-
Net loss and comprehensive loss	(3,212,774)	(1,684,095)
Deficit - Beginning of period	(13,810,170)	(2,231,396)
Deficit - End of period	(17,022,944)	(3,915,491)
Net loss per common share - basic and diluted	(0.06)	(0.04)
Weighted average number of common shares outstanding	54,883,972	38,046,784

See accompanying notes to the consolidated financial statements.

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

(Expressed in United States dollars)	Common Shares #	Capital Stock \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
Balance at December 31, 2009	54,883,972	5,488	31,572,347	(13,810,170)	17,767,665
Stock-based compensation (Note 7)	-	-	269,323	-	269,323
Net loss for the period	-	-	-	(3,212,774)	(3,212,774)
Balance at March 31, 2010	<u>54,883,972</u>	<u>5,488</u>	<u>31,841,670</u>	<u>(17,022,944)</u>	<u>14,824,214</u>

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31,	
	2010	2009
(Expressed in United States dollars)	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss for the period	(3,212,774)	(1,684,095)
Items not affecting cash:		
Amortization	205,403	20,307
Non-controlling interest	(90,415)	-
Stock-based compensation (Note 7)	269,323	107,932
Inventory write down - Beta units	54,377	-
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(132,798)	(27,731)
Inventory	(1,012,235)	(732,725)
Prepaid expenses and other assets	(118,403)	35,769
Deposits	(4,064)	(51,988)
Accounts payable and accrued liabilities	350,952	(21,649)
Due to related party	337,268	-
Deferred revenue and customer deposits	(255,500)	154,500
Cash used in operating activities	(3,608,866)	(2,199,680)
Investing activities		
Purchase of capital assets	(14,490)	(173,407)
Project development costs	(406,598)	(1,139,198)
Non-controlling interest - capital contribution	103,274	-
Cash used in investing activities	(317,814)	(1,312,605)

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

(Continued)

	Three months ended March 31,	
	2010	2009
(Expressed in United States dollars)	\$	\$
Financing activities		
Due to related party	-	(124,735)
Repayment of long-term debt	(40,446)	-
Payments of capital lease obligations	(42,489)	(12,137)
Cash used in financing activities	(82,935)	(136,872)
 Decrease in cash and cash equivalents	 (4,009,615)	 (3,649,157)
 Cash and cash equivalents, beginning of period	 10,616,065	 9,143,767
 Cash and cash equivalents, end of period (Note 3)	 6,606,450	 5,494,610
 Supplemental disclosure of cash flow information		
Interest paid	96,129	6,743
Assets acquired under capital leases	25,298	372,635

See accompanying notes to the consolidated financial statements.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(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 laser Doppler velocimetry 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 net losses of \$(3,212,774) and \$(1,684,095) for the quarters ended March 31, 2010 and 2009, 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.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

2. BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited interim consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with GAAP are not provided. The consolidated financial statements of the Company include the accounts of CTW and its 75% owned subsidiary, Falcon Fifty LLC. The interim consolidated financial statements conform in all material respects to the requirements of GAAP for interim financial statements, and accordingly, do not contain all the note disclosure found in the annual financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application of those used in the preparation of the audited annual consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements and the accompanying notes included thereto for the year ended December 31, 2009. The results of operations for the interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year. Note disclosures have been presented for material updates to the information previously reported.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with financial institutions of \$135,706 (December 31, 2009 - \$79,771) and short-term, highly liquid investments purchased with original maturities of three months or less of \$6,470,744 (December 31, 2009 - \$10,536,294).

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 years beginning on or after January 1, 2011.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

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.

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 quarter ended March 31, 2010, the Company wrote down its inventory to net realizable value for completed beta units by \$54,377 (2009 – nil). Net realizable value was estimated using the list price of \$125,000 per unit for a Vindicator beta unit and \$149,500 for a Racer's Edge beta unit.

	March 31, 2010	December 31, 2009
	\$	\$
Components	262,280	348,647
Work in process	839,075	169,850
Completed units	1,524,500	1,149,500
	2,625,855	1,667,997

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

5. CAPITAL ASSETS

Capital assets consist of the following:

	March 31, 2010		December 31, 2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	73,344	10,873	62,471	58,415
Computer equipment	8,922	2,091	6,831	3,607
Test and manufacturing equipment	87,032	15,893	71,139	72,267
Vindicator test units	674,000	101,306	572,694	628,861
Tradeshow booths	105,581	23,813	81,768	87,047
Computer software	44,880	14,801	30,079	33,819
Aircraft	5,320,283	187,195	5,133,088	5,221,759
Test and manufacturing equipment under capital lease	537,513	174,840	362,673	380,583
	<u>6,851,555</u>	<u>530,812</u>	<u>6,320,743</u>	<u>6,486,358</u>

6. PROJECT DEVELOPMENT COSTS

Project development costs consist of the following:

	March 31, 2010	December 31, 2009
	\$	\$
Balance, beginning of period	5,889,286	3,075,002
Project development costs incurred	406,598	2,814,284
Balance, end of period	<u>6,295,884</u>	<u>5,889,286</u>

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 from these sales have been netted against the development costs as required by the Company's status as a development stage enterprise.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

7. 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. 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.

On March 1, 2010, 100,000 stock options were granted to a newly appointed director of the Company. The options have a ten-year life, and one third of the options vest upon issuance, with the balance of the option award vesting in two, equal annual installments beginning on the first anniversary of the grant of the award. The exercise price of the options is CDN \$2.19 per share, representing the closing price on the date of grant.

From inception through March 31, 2010, the Company has issued 3,697,094 stock options to directors, officers, employees and consultants of CWL, CTW and OADS. In addition, a total of 2,305,602 options and warrants have been granted to placement agents and Bayview Public Ventures, the former capital pool company. There were 5,236,384 stock options outstanding at March 31, 2010.

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:

Employee and director options:

	Three months ended March 31,	
	2010	2009
Exercise price (\$CDN)	\$ 2.19	\$ 1.30
Risk-free interest rate	1.40 %	1.75 %
Dividend yield	nil	nil
Expected volatility	79.14 %	65.12 %
Expected term (in years)	4	4

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

Non-employee options:

	Three months ended March 31,	
	2010	2009
Exercise price (\$CDN)	-	\$ 1.30
Risk-free interest rate	-	% 1.75 %
Dividend yield	-	nil
Expected volatility	-	% 65.12 %
Expected term (in years)	-	4

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

	Number of Options Outstanding	Weighted Avg. Exercise price (\$CDN) \$
Balance as at December 31, 2009	5,136,384	1.39
Granted	100,000	2.19
Exercised	-	-
Expired	-	-
Forfeited	-	-
Balance as at March 31, 2010	5,236,384	1.41

At March 31, 2010 outstanding stock options have the following terms:

	Options Outstanding				Options Exercisable	
	Number of Options	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	12,500	1.30	
475,000	1.50	1.50	2014	-	-	
1,065,000	1.65	1.65	2014	-	-	
25,000	1.92	1.92	2019	-	-	
100,000	2.19	2.19	2020	33,333	2.19	
5,236,384		1.41		2,698,465	1.31	

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

The Company recorded employee and consultant stock option expense of \$269,323 and \$107,932 for the three months ended March 31, 2010 and 2009, respectively. Stock option expense is included in salaries and benefits on the consolidated statement of loss.

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.

8. CAPITAL LEASE OBLIGATIONS

The Company has entered into capital leases with the following future minimum lease payments as of March 31, 2010 as follows:

	\$
2010	181,917
2011	216,123
2012	<u>41,867</u>
Total minimum lease payments	439,907
Amount representing interest (at rates of 15%)	<u>(59,439)</u>
Present value of minimum capital lease payments	380,468
Less current portion of obligations under capital leases	<u>(195,823)</u>
	<u><u>184,645</u></u>

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

9. 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.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

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 March 31, 2010 are as follows:

	\$
2010	47,084
2011	275,783
2012	500,000
2013	500,000
2014	500,000
Total minimum payments	1,822,867

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.

10. 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 and OADS have an existing licensing agreement (see Note 9), a services agreement, described below, and a sublease agreement (see Note 9).

The costs incurred by OADS prior to January 1, 2008 related to the development of the Vindicator remote wind sensor, the underlying laser Doppler velocimetry 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.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
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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 \$145,542 due from Tristar Aviation LLC, as compared to \$79,212 at December 31, 2009.

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.

The consolidated financial statements for the three months ended March 31, 2010 and 2009 reflect the following labor charges from OADS:

Financial Statement Caption	Three months ended March 31,	
	2010	2009
	\$	\$
Inventory	777,903	339,768
Professional engineering fees	643,600	509,011
Research expense	74,647	-
Project development costs - asset	355,793	790,716
Total labor charges	<u>1,851,943</u>	<u>1,639,495</u>

At March 31, 2010 and December 31, 2009, the Company owed a balance of \$692,952 and \$355,685, respectively, to OADS for labor charges and administrative costs. Due from OADS to the Company at March 31, 2010 and December 31, 2009 and included in accounts receivable is a balance of \$532 and \$27,771, respectively, for the cost of materials and third-party consulting fees paid for on behalf of OADS.

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 three months ended March 31, 2010, the Company paid to OADS an aggregate of \$1,454,312 (\$690,635 for inventory work in progress, \$483,425 for professional engineering fees, \$249,825 for development costs and \$30,427 for general administrative expenses) for expenses incurred in 2010. The OADS employees utilized as consultants by the Company possess specialized knowledge of laser Doppler velocimetry technology and are instrumental to the Company achieving its research and development objectives. During the three months ended March 31, 2009, CTW paid OADS a total of \$1,298,301 (\$643,452 for project development costs, \$377,599 for professional engineering fees, \$249,056 for work in process and \$28,194 in general administrative expenses).

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

11. 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 March 31, 2010:

	\$
2010	365,845
2011	487,793
2012	487,793
2013	487,793
2014 and beyond	<u>5,105,169</u>
Total minimum payments	6,934,393
Amount representing interest	<u>(2,414,569)</u>
Present value of minimum payments	4,519,824
Less current portion of obligations	<u>(169,210)</u>
	<u><u>4,350,614</u></u>

12. 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 March 31, 2010 was \$145,542.

Catch the Wind Ltd.
(A Development Stage Company)
Notes to Consolidated Financial Statements
March 31, 2010 and 2009
(Unaudited)

(Expressed in United States dollars)

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

	\$
Cash	100,000
Accounts receivable	5,625
Prepaid expenses	38,386
Capital assets (net)	<u>5,170,053</u>
Total assets	<u>5,314,064</u>
Accounts payable and accrued expenses	9,398
Due to related party	1,754
Long-term debt	<u>4,519,824</u>
	<u>4,530,976</u>
Non-controlling interest	<u><u>195,772</u></u>

13. SUBSEQUENT EVENT

On April 20, 2010, the Company completed a private placement of 2,576,000 units (the "Units"), each at a price of CDN \$2.00, generating gross proceeds of CDN \$5,152,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder to purchase, subject to adjustment in accordance with its terms, one half of one common share of the Company at an exercise price of C\$2.20 per whole share at any time within 24 months from the closing of the offering. Agents for the private placement received a commission of 6.0% of the gross proceeds raised under the offering. As part of the offering, the agents collectively subscribed for an aggregate of 150,000 Units of the Company based on a price per unit of CDN \$2.00, with such Units having the same terms and conditions as those issued to purchasers under the offering.

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

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