

**Catch the Wind Ltd.**  
**(A Development Stage Company)**  
**Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**

**(Expressed in United States dollars)**

**Unaudited**

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	Page
Index	2
Consolidated Balance Sheets	3
Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit	4
Interim Consolidated Statements of Shareholders' Equity	5
Interim Consolidated Statements of Cash Flows	6
Notes to the Interim Consolidated Financial Statements	7

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

	June 30, 2009	December 31, 2008
(Expressed in United States dollars)	\$	\$
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	18,953,367	9,143,767
Inventory (Note 4)	2,181,286	230,931
Prepaid expenses and other assets	35,097	103,902
	21,169,750	9,478,600
Capital assets (Note 5)	708,958	28,140
Project development costs (Note 6)	4,882,133	3,075,002
Deposits	65,223	4,499
	26,826,064	12,586,241
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	972,800	826,750
Due to related party (Note 8)	411,539	527,135
Obligations under capital lease - current portion (Note 9)	141,002	-
Deferred revenue and deposits	354,500	200,000
Total Liabilities:	1,879,841	1,553,885
Obligations under capital lease (Note 9)	257,716	-
<b>Shareholders' Equity</b>		
Capital stock	5,479	3,805
Contributed surplus	30,745,811	13,259,947
Deficit	(6,062,783)	(2,231,396)
	24,688,507	11,032,356
	26,826,064	12,586,241

Approved on behalf of the Board:

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

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

See accompanying notes to interim consolidated financial statements.

**Catch the Wind Ltd.**  
**(A Development Stage Company)**  
**Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit**

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
(Expressed in United States dollars)	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Expenses:</b>				
Salaries and benefits	485,151	1,458	1,122,397	1,458
General and administrative	233,738	13,671	538,850	18,077
Inventory valuation - Beta units	621,378	-	621,378	-
Amortization	50,243	-	70,550	-
Sales and marketing	98,144	136,464	171,876	151,621
Consulting fees	104,024	18,543	218,475	18,543
Professional fees	149,979	25,996	190,819	29,957
Professional engineering fees (Note 8)	498,074	24,049	1,007,085	39,035
Research	-	24,955	-	27,423
Interest expense	14,016	-	20,759	-
Interest income	(6,789)	-	(26,284)	-
Foreign exchange gain	(100,666)	-	(104,518)	-
	<u>2,147,292</u>	<u>245,136</u>	<u>3,831,387</u>	<u>286,114</u>
<b>Net loss and comprehensive loss for the period</b>	<u>(2,147,292)</u>	<u>(245,136)</u>	<u>(3,831,387)</u>	<u>(286,114)</u>
Deficit - Beginning of period	(3,915,491)	(40,978)	(2,231,396)	-
Deficit - End of period	<u>(6,062,783)</u>	<u>(286,114)</u>	<u>(6,062,783)</u>	<u>(286,114)</u>
<b>Net loss per common share - basic and diluted</b>	<u>(0.05)</u>	<u>(0.01)</u>	<u>(0.09)</u>	<u>(0.01)</u>
Weighted average number of common shares outstanding	45,774,322	25,000,000	41,931,900	25,000,000

See accompanying notes to the interim consolidated financial statements.

**Catch the Wind Ltd.**  
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**Interim Consolidated Statements of Shareholders' Equity**

(Expressed in United States dollars)	Common Shares #	Capital stock \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
<b>Balance at December 31, 2008</b>	38,046,784	3,805	13,259,947	(2,231,396)	11,032,356
Stock based compensation (Note 7)	-	-	198,676	-	198,676
Private placement proceeds (1)	16,743,000	1,674	16,779,042	-	16,780,716
Agent stock options	-	-	508,146	-	508,146
Net loss for the period	-	-	-	(3,831,387)	(3,831,387)
<b>Balance at June 30, 2009 (unaudited)</b>	54,789,784	5,479	30,745,811	(6,062,783)	24,688,507

(1) Private placement (as defined in Note 10) of 16,743,000 common shares at \$1.30 (CDN) (\$1.12 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 interim consolidated financial statements.

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

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	For the six months ended June 30, 2009	For the six months ended June 30, 2008
(Expressed in United States dollars)	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Operating activities</b>				
Net loss for the period	(2,147,292)	(245,136)	(3,831,387)	(286,114)
Items not affecting cash:				
Amortization	50,243	-	70,550	-
Stock-based compensation (Note 7)	90,744	-	198,676	-
Inventory valuation - Beta units	621,378	-	621,378	-
Changes in non-cash operating assets and liabilities:				
Accounts receivable	27,731	-	-	-
Inventory	(1,964,008)	(49,864)	(2,696,733)	(59,177)
Prepaid expenses and other assets	33,036	14,870	68,805	(4,420)
Deposits	(8,736)	-	(60,724)	-
Accounts payable and accrued liabilities	167,698	387,814	146,049	390,171
Due to related party	9,139	-	(115,596)	-
Deferred revenue and customer deposits	-	100,000	154,500	100,000
<b>Cash used in operating activities</b>	<b>(3,120,067)</b>	<b>207,684</b>	<b>(5,444,482)</b>	<b>140,460</b>
<b>Investing activities</b>				
Purchase of capital assets	(12,558)	-	(185,965)	(12,730)
Purchase of project development costs	(667,933)	(318,652)	(1,807,131)	(619,911)
Deferred issuance costs	-	(279,424)	-	(279,424)
<b>Cash used in investing activities</b>	<b>(680,491)</b>	<b>(598,076)</b>	<b>(1,993,096)</b>	<b>(912,065)</b>
<b>Financing activities</b>				
Due to related party	-	484,596	-	865,809
Proceeds from private placements	17,288,862	-	17,288,862	-
Payments of capital lease obligations	(29,547)	-	(41,684)	-
<b>Cash provided by financing activities</b>	<b>17,259,315</b>	<b>484,596</b>	<b>17,247,178</b>	<b>865,809</b>
<b>Increase in cash and cash equivalents</b>	<b>13,458,757</b>	<b>94,204</b>	<b>9,809,600</b>	<b>94,204</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>5,494,610</b>	<b>-</b>	<b>9,143,767</b>	<b>-</b>
<b>Cash and cash equivalents, end of period</b>	<b>18,953,367</b>	<b>94,204</b>	<b>18,953,367</b>	<b>94,204</b>
<b>Supplemental disclosure of cash flow information</b>				
Cash paid for interest	14,016	-	20,759	-
Assets acquired under capital leases	67,768	-	440,403	-
Assets transferred from inventory	125,000	-	125,000	-

See accompanying notes to the interim consolidated financial statements and non-cash transactions.

**Catch the Wind Ltd.**  
**(A Development Stage Company)**  
**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
**(Unaudited)**  
**(Expressed in United States dollars)**

**1. ORGANIZATIONS 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 sensing system that is capable of measuring real-time horizontal and vertical wind speed and direction data at varying ranges ahead of the sensor location. This system may be located internally or externally on the wind turbine nacelle, and will sense winds at ranges out to 300 meters. When the Vindicator is integrated with a turbine's control system, the Company believes that it will result in increased efficiency; resulting in greater power production and reduced stress on turbine blades, which should reduce maintenance costs.

As the Company matures, it is expected that this new technology will be integrated into various control and forecasting applications that can be utilized by the wind energy industry and in various other commercial products.

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 common shares of Catch the Wind Ltd. ("CWL" or the "Company"). OADS and CWL are, therefore, under common control and OADS is considered a related party for purposes of accounting under CICA Handbook Section 3840 "Related Party Transactions".

As at June 30, 2009, the Company had no revenues and losses of \$2,147,292 and \$3,831,387 for the three and six months, respectively. These unaudited interim 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.

**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. Except as described in Note 3, 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, 2008. 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.

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**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

Included in cash and cash equivalents are liquidity investment funds of \$13.8M (2008 \$nil) and a money market account of \$5M (2008 \$nil); which balances are redeemable at any time. The remaining \$0.2M is included in the Company's operating accounts.

**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 will be 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, will be offset against the lease obligations during the term of the lease.

**Goodwill and Intangible Assets**

On January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The adoption of this new Section did not have an impact on the Company's financial results.

**CICA EIC 173: 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 financial statements.

**4. INVENTORY**

Inventory is comprised of the following categories in accordance with CICA section 3031 "Inventories". The amount of \$621,378 was recorded as a net realizable valuation adjustment of the completed Vindicator Beta units during the second quarter of 2009. There were no inventory valuation adjustments in 2008.

	June 30, 2009	December 31, 2008
	\$	\$
Inventory - components	411,765	230,931
Inventory - work in process	1,419,521	-
Inventory - completed units	350,000	-
	<u>2,181,286</u>	<u>230,931</u>

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**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
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**5. CAPITAL ASSETS**

Capital assets consist of the following as of June 30, 2009:

	June 30, 2009		December 2008	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	30,051	2,378	27,673	-
Computer equipment	5,193	721	4,472	-
Test and manufacturing equipment	58,823	3,793	55,030	3,697
Vindicator test units	125,000	3,472	121,528	-
Tradeshow booths	105,581	7,976	97,605	13,586
Software costs	17,434	4,343	13,091	10,857
Test and manufacturing equipment under capital lease	440,403	50,844	389,559	-
	782,485	73,527	708,958	28,140

**6. PROJECT DEVELOPMENT COSTS**

Project Development Costs consist of the following as of June 30, 2009:

	June 30, 2009	December 31, 2008
Project Development costs, beginning of period	3,075,002	-
Development costs incurred	1,807,131	3,075,002
Ending balance	4,882,133	3,075,002

No amortization expense was recorded with respect to these costs, as the Company has not yet commenced commercial sales of the Vindicator unit. Since inception, the Company has not earned any revenues from the sales of its products. Deposits have been received on the initial sales of the Vindicator Beta units. When these deposits are recognized, they will be netted against the development costs as required by the Company's status as a development stage enterprise.

**Catch the Wind Ltd.**  
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**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
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**7. STOCK OPTIONS**

CWL 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, including CTW. 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.

From inception through June 30, 2009, the Company has issued 3,700,572 stock options to directors, officers, employees and consultants of CWL, CTW and OADS. This number includes options and warrants granted to placement agents and Bayview Public Ventures carryover options. Options granted to directors vest over a 2-year period and options granted to officers, employees and consultants vest over a 4-year period, and in each case expire five years from the date of grant thereof. The Company determined the fair value of stock options granted under the Plan using the Black-Scholes model with the following assumptions:

	May 2009	March 2009	January 2009	December 2008
	%	%	%	%
Risk-free interest rate	0.55	1.75	1.50	2.38
Dividend yield	nil	nil	nil	nil
Volatility	91	65	56	55
Expected term (in years)	2	4	4	4

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

A summary of the Company’s stock options activity is as follows:

	Number of Options	Exercise Price (\$CDN)
Balance as at December 31, 2008	3,164,616	1.22
Granted	1,078,080	1.30
Expired	(62,124)	0.998
Forfeited	(480,000)	1.30
Balance as at June 30, 2009 (unaudited)	<u>3,700,572</u>	<u>1.24</u>

During the three month period ended June 30, 2009, 1,003,080 options were issued and 100,000 options previously issued were forfeited. No options were granted or forfeited during the three-month period ending June 30, 2008.

During the six month period ended June 30, 2009, 1,078,080 options were issued, 62,124 previously issued options expired and 480,000 previously issued options were forfeited. No options were granted during the six-month period ending June 30, 2008.

**Catch the Wind Ltd.**  
**(A Development Stage Company)**  
**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
**(Unaudited)**  
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**7. STOCK OPTIONS (continued)**

Stock options outstanding from grants from inception to June 30, 2009 are as follows:

Option Price	Number of Options	Vested Options	Weighted Avg. Price (CDN)	Expiry Date
\$	#	\$	\$	
1.30	1,235,000	100,000	1.30	September 18, 2013
1.30	100,000	-	1.30	October 28, 2013
1.30	1,146,210	1,146,210	1.30	September 18, 2010
1.30	75,000	-	1.30	March 31, 2014
1.30	1,003,080	1,003,080	1.30	May 20, 2011
0.998	141,282	141,282	0.998	September 18, 2009
	3,700,572	2,390,572	1.24	

The costs of stock option expense is included in salaries and benefits as follows:

	For the period ended June 30			
	Three month period		Six month period	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Employee stock option expense	\$ 90,744	-	\$ 198,676	-

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

**8. 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 more than 45% of the common shares of CWL. Since OADS and the Company are, under common control, OADS is considered a related party for accounting purposes under CICA Handbook Section 3840, "Related Party Transactions". The Company relies upon OADS for research, development and engineering services related to its LIDAR technology, administrative support and office and support space, pursuant to the terms of a previously entered licensing agreement, a services agreement and a sublease agreement, as further described below.

The transactions are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

**Licensing Agreement**

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 all military applications and commercial avionics and airborne instrument applications. The Licensing Agreement also provides the Company with the right to sublicense the licensed technology to third parties.

**Catch the Wind Ltd.**  
**(A Development Stage Company)**  
**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
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**8. RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE (continued)**

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.

**Services Agreement**

Effective September 3, 2008, the Company 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 the Company on a time and materials basis. The Company also reimburses OADS for direct out-of-pocket expenses incurred on the Company’s behalf.

The unaudited consolidated financial statements for the period January 1, 2009 to June 30, 2009 reflect the following labor charges from OADS:

Financial Statement Caption	Three months		Six months	
	June 2009	June 2008	June 2009	June 2008
	\$	\$	\$	\$
Inventory (included in Note 4)	1,262,181	-	1,601,949	-
Professional engineering fees	498,074	24,049	1,007,085	39,035
Project development assets	287,017	238,129	1,077,733	491,150
<b>Total labor charges</b>	<b>2,047,272</b>	<b>262,178</b>	<b>3,686,767</b>	<b>530,185</b>

At June 30, 2009, the Company owed a balance of \$411,539 to OADS for labor charges and general administrative costs for the period June 15, 2009 to June 30, 2009. This balance was repaid to OADS during July 2009. At June 30, 2008 there was a related party payable balance of \$865,809.

All balances payable to OADS are due on demand. During the period from January 1, 2009 to June 30, 2009, the Company paid to OADS an aggregate of \$3,234,598 (\$1,296,558 for project development costs, \$885,233 for professional engineering fees, \$988,948 for work in progress / completed units, \$53,057 in general administrative expenses and \$10,802 in materials). As of June 30, 2008, no payments had been made to OADS on the then outstanding related party payable balances.

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**(A Development Stage Company)**  
**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
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**9. CAPITAL LEASE OBLIGATIONS**

As of June 30, 2009, the Company has entered into capital leases with the following future minimum lease payments:

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

	\$
2009	95,687
2010	189,256
2011	180,208
2012	<u>16,291</u>
Total minimum lease payments	481,442
Amount representing interest (at rates of 15%)	<u>(82,724)</u>
Present value of minimum capital lease payments	398,718
Less current portion of obligations under capital leases	<u>(141,002)</u>
	<u><u>257,716</u></u>

**10. PRIVATE PLACEMENT**

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

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

**11. SUBSEQUENT EVENTS**

On July 6, 2009, Catch the Wind, Inc., a wholly owned subsidiary of the Company, became a 75% equity owner in Falcon Fifty LLC, an entity created for the purpose of providing aviation management services. The remaining equity interest (25%) in Falcon Fifty LLC, is held by Tristar Aviation LLC, a Company whose principal shareholders are officers and directors of the Company.

Falcon Fifty LLC and its shareholders have executed a binding contract to purchase a corporate aircraft with a purchase price of \$5M. Completion of the transaction and related financing (estimated at \$4.5M) are expected to occur during mid-September 2009.

**Catch the Wind Ltd.**  
**(A Development Stage Company)**  
**Notes to Interim Consolidated Financial Statements**  
**For the Three and Six Month Periods Ended June 30, 2009**  
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On July 16, 2009, the Board of Directors approved the grant of incentive stock options to certain senior officers and a director of the Company to purchase an aggregate of 500,000 shares of common stock. The options are exercisable over a five year period at a price of CDN \$1.50 each, representing the closing price of the common shares on July 15, 2009, the date preceding the date of the grant. The options will begin to vest on July 16, 2010 and expire on July 16, 2014. All of the options are conditional upon the receipt of all necessary regulatory and stock exchange approvals.

On August 3, 2009, the Board of Directors approved the grant of stock options to certain consultants of the Company who are employees of OADS to purchase an aggregate of 1,090,000 shares of common stock of the Company. The options are exercisable over a five-year period from the date of grant at a price of (CDN) \$1.65 each, representing the closing price of the common shares of the Company on July 31, 2009, the business date preceding the date of the grant. The options will begin to vest on August 3, 2010 and expire on August 3, 2014. All of the options are conditional upon the receipt of all necessary regulatory and stock exchange approvals.