

**PLAINTREE SYSTEMS INC.**  
**FORM 2A**  
**LISTING STATEMENT**

**1. Table of Contents**

1.1 Include a table of contents with the following headings:

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## 2. Corporate Structure

- 2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.

*Plaintree Systems Inc.*

- 2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. If material, state whether the articles or other constating or establishing documents of the Issuer have been amended and describe the substance of the material amendments.

*Canada Business Corporations Act*

- 2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries.

*The Issuer has two wholly-owned subsidiaries, Plaintree Systems Corporation (inactive) and Triodetic Space Frames, Inc.*

For each subsidiary state

- (a) the percentage of votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the Issuer;

*Plaintree Systems Corporation – 100%*

*Triodetic Space Frames, Inc. – 100%*

- (b) the place of incorporation or continuance; and

*Plaintree Systems Corporation – State of Delaware*

*Triodetic Space Frames, Inc. – State of Delaware*

- (c) the percentage of each class of restricted shares beneficially owned, or over which control or direction is exercised, by the Issuer.

*Plaintree Systems Corporation – No restricted shares.*

*Triodetic Space Frames, Inc. – No restricted shares.*

- 2.4 If the issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by

way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction.

*Not applicable.*

- 2.5 Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.

*Not applicable.*

### **3. General Development of the Business**

- 3.1 Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.

*The Issuer has three business divisions: (i) development of optical wireless communications equipment for local area, wide area, voice, internet and security networks (“**Optical Wireless Division**”); (ii) manufacturing avionic components (“**Avionic Division**”); and (iii) design/build manufacturing of steel and aluminium specialty structures (“**Structures Division**”).*

#### **Optical Wireless Division**

*The Issuer designs, develops, manufactures, markets and supports infrared optical wireless transmission links. The Issuer’s goal is to become a global leader in the field of free space optics (“**FSO**”), which is becoming the accepted terminology for optical wireless. This is based on the combined attributes of the Issuer’s optical wireless engineering expertise with its specialization in light emitting diode (“**LED**”) technology, and the solution that the optical wireless links provide to the broadband access bottleneck or the “last mile” connection problem.*

*Key elements of the Issuer’s strategy to achieve this goal include developing and manufacturing a broad range of the WAVEBRIDGE FSO links to provide high-speed network connections for a variety of customers. The Issuer intends to continue to build a global sales presence through a network of value added resellers (“**VARs**”) and value added integrators (“**VAIs**”) strategically positioned around the world.*

*The Issuer’s WAVEBRIDGE links send information (voice, video and data) on a beam of infrared light. These links act as a replacement for cable or fiber, thus avoiding the delay and expense of the planning and installation of wireline connections. Simplicity of installation of the WAVEBRIDGE links ensures they can be up and running in a*

*matter of hours thus avoiding costly network downtime. These links are also an alternative to microwave or radio frequency (“RF”) systems and they require no licensing. The high deployment densities of RF and microwave systems cause frequency interference and overlap problems that are not experienced by FSO systems. Optical wireless systems can also carry a bigger payload than RF systems, making it a very attractive solution.*

*The Issuer specializes in LED technology. Although FSO refers to both laser and LED technologies, they differ in many respects including eye-safety, reliability and atmospheric attenuation.*

*The WAVEBRIDGE links have a class 1 eye hazard rating from the International Electrotechnical Commission and the American National Standards Institute, the most eye-safe rating possible. The class 1 rating means that the WAVEBRIDGE LED links can be viewed for any length of time, with or without binoculars, under all foreseeable circumstances. This is of tremendous importance as binoculars or other viewing aids are often used in the initial alignment of optical wireless equipment.*

### Products

*The Issuer offers a series of optical wireless links to meet a broad range of customer requirements. All FSO communications systems need line-of-sight for connectivity. The only factor limiting the reliability of these systems is fog. Installation planning can reduce this factor by calculating the fade margin to measure optimum distance between the links.*

### WAVEBRIDGE LS Series

*The 300 series is a lightweight, easily transported design, intended for indoor use such as a small office. This is an ideal application for LEDs in particular as the units can be located near people without any concerns regarding eye hazards. It is also ideal for special events or emergency applications as set-up time is minimal and the equipment can be moved easily. This very cost-effective unit offers speeds of up to 155 megabits per second (“Mbps”) and covering distances from 27 meters to 500 meters. The 300 series also offers a multiplex unit that provides an additional E1/T1 line as well as 10 Mbps. E1/T1 lines are essentially a telephone line.*

### WAVEBRIDGE 500 Series

*The 500 series is primarily an outdoor system but can also easily be mounted indoors to operate through windows. It provides a variety of connection speeds from E1 or T1 through to 155 Mbps Ethernet or a combination of both. With a range of up to 1,000 meters, businesses can now eliminate the hassles of last mile connectivity and get high speed network connections in just a few hours. This solution is favoured by Internet service providers (“ISPs”), cellular operators and information technology (“IT”) managers due to its reliability and rapid installation. Businesses can connect offices or create their own backbone across rivers, highways, streets or courtyards.*

### WAVEBRIDGE XT Series

*The 600 XT series is an open protocol, full duplex system offering speeds up to 100 Mbps fast ethernet/155 Mbps asynchronous transfer mode up to 2,000 meters. This product meets the requirements of customers such as ISPs, cellular operators and enterprise customers who need greater bandwidth than 10 Mbps.*

### WAVEBRIDGE WB SM

*The WBSM product line is an industry unique solution that has been designed specifically for the multi system operator (MSO) (typically cable companies) to address the small to medium business customer. The Issuer is presently the only FSO company in the world that has a solution for this market. The key attributes for this product are: speeds from 1 to 155Mbps, 100% eye-safety, and a wide beam for sway and vibration protection. The wide beam allows for unique flexible mount options including towers, poles and cable strands.*

### Applications

*The Issuer's range of WAVEBRIDGE optical wireless links are designed for a variety of applications and customers. Cellular and global system for mobile ("GSM") communications operators can connect their base stations to micro-cells using the Issuer's WAVEBRIDGE optical wireless links. The use of FSO in this application helps the cellular companies avoid the frequency interference problems in areas of high congestion. They can also avoid the expense and delay of installing a fiber line to connect the micro-cells to the base station.*

*ISP customers are demanding more bandwidth and the capacity to carry rich media. ISPs can use the WAVEBRIDGE links to deliver high bandwidth to business parks, multi-tenant units, multi-dwelling units, hotels and strip malls and avoid the monthly cost of leased lines.*

*Businesses can connect remote buildings and create their own virtual private network. This is of particular interest to government agencies that are looking for a high degree of channel security in their network. Interception of the beam is immediately detectable by network management as it would cause interruption of the signal, immediately notifying IT managers.*

*Other applications include mining, manufacturing, tele-health and avionics. The abundant use of RF systems in wireless applications will continue to cause frequency interference in some areas. FSO does not require spectrum licensing and does not experience RF overlap and interference. This is of great importance in areas where frequencies are highly regulated such as airports or hospitals.*

### Avionic Division

*The Issuer is also a manufacturer of avionic components for various applications including aircraft antiskid braking; aircraft instrument indicators; solenoids; high*

*purity valves; and permanent magnet alternators. The Issuer is qualified as AS9100, the highest quality standard in the aerospace sector.*

### **Structures Division**

*The Issuer is also a pioneer in innovative structural steel space frame and related steel building structures. The Issuer is a design/build manufacturer of steel, aluminium and stainless steel specialty structures which are engineered and produced in a state of the art manufacturing facility in Arnprior, Ontario. Some product offerings include commercial domes; free form structures; barrel vaults; space frames; and industrial domes and covering. The Issuer's main products consist of a jointing system and advanced engineering for tubular structures that allows for a variety of shapes, spans and loading.*

#### 3.2 Disclose:

- (1) (a) any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under Part 6 or 7 of OSC Rule 41-501 if this Listing Statement were a prospectus; and

*The Issuer completed on April 1, 2008 an acquisition (the “Acquisition”) of all of the issued and outstanding share capital of Hypernetics Limited (“Hypernetics”) and 4439112 Canada Inc., which through a wholly-owned subsidiary owned all of the share capital of Triodetic Building Products Inc. and other subsidiaries (the “Triodetic Group of Companies”). In consideration for the \$9,000,000 purchase price for the Hypernetics shares, the Issuer issued 9,000 class A preferred shares to Targa Electronics Systems Inc. In consideration for the \$11,000,000 purchase price for the 4439112 Canada Inc. shares, the Issuer (i) paid the amount of \$750,000 to William David Watson II and issued to William David Watson II 1,925,000 post-consolidation common shares and 5,203.75 class A preferred shares; and (ii) paid the amount of \$750,000 to Nora Watson and issued to Nora Watson the 1,575,000 post-consolidation common shares and 4,121.25 class A preferred shares. The shareholders of the Issuer approved the Acquisition at the Issuer's annual and special meeting of shareholders on March 18, 2008. Immediately following the completion of the Acquisition, the Issuer amalgamated the businesses of each of Hypernetics and the Triodetic Group of Companies into the Issuer and since that time those businesses have been operated by the Issuer as separate divisions.*

*It is expected that the Acquisition will have a positive effect on the operating results and financial position of the Issuer.*

*An exemption from the valuation opinion requirement was available and relied on by the Issuer.*

*The Acquisition was a related party transaction. Targa Electronic Systems Inc., which owned 100% of the shares of Hypernetics, is a wholly-owned subsidiary of Targa Group Inc., a company controlled by William David Watson II and Nora Watson through ownership of a majority of the shares of Targa Group Inc. 4439112 Canada Inc., which through a wholly-owned subsidiary held all of the shares of Triodetic Building Structures Inc., was owned and controlled by William David Watson II and Nora Watson. William David Watson II is the President and Chief Executive Officer of the Issuer and a director of the Issuer. Nora Watson is the spouse of William David Watson, the Chairman and Vice President, Mergers and Acquisitions of the Issuer. William David Watson II and Nora Watson, through their control of Targa Group Inc., owned 27.98% of the issued and outstanding common shares of the Issuer (38.1% on a fully-diluted basis) at the time of the Acquisition. As a result of these relationships, the Acquisition was considered to be a “related party transaction” within the meaning of Ontario Securities Commission Rule 61-501 which required obtaining the majority of the minority shareholder approval which was obtained on March 18, 2008.*

- (b) any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under Part 8 of OSC Rule 41-501 if this Listing Statement were a prospectus.

*None.*

- (2) Under paragraph (1) include particulars of

- (a) the nature of the assets acquired or disposed of or to be acquired or disposed of;

*See (1) above.*

- (b) the actual or proposed date of each significant acquisition or significant disposition;

*See (1) above.*

- (c) the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;

*See (1) above.*

- (d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;

*None.*

- (e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;

*See (1) above.*

- (f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation or Canadian securities directives of a Canadian securities regulatory authority or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and

*See (1) above.*

- (g) whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

*See (1) above.*

- 3.3 Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Listing Statement.

*The Issuer is of the view that the FSO market has a limited future. This fact and as a result of the completion of the Acquisition, the impact of the FSO business on the results of the Issuer will continue to diminish.*

## **4 Narrative Description of the Business**

### **4.1 General**

- (1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:
  - (a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period.

*The primary objective is to complete the integration of Hypernetics and Triodetic into the Issuer. This includes bringing their financial reporting up to the higher standards and introducing consolidated returns to the markets.*

*The secondary objective is the continued manageable growth of each division, in particular Triodetic which has seen annual sales more than double over the past 24 months.*

*Specific to each division:*

*The Optical Wireless Division has seen moderate sales growth over the past 12 months. Customer interest seems to be increasing. This division will keep investing in Internet marketing and in house sales to maintain a slow but steady market penetration. The optical wireless product is largely fully developed and research and development is mainly in a support role.*

*The Avionic Division has seen unit sales grow at a healthy rate over the past few years. However, the decline in the value of the US dollar, the increase in material costs and transportation have resulted in the annual Canadian dollar revenue and earnings remaining largely unchanged. Recent and continuing price increases to all customers have the objective of increasing dollar sales numbers and returning to a net margin percentage level as experienced in the past.*

*The Structures Division has seen strong growth over the past two years and this division has the objective of expanding its engineering assets and production to handle this continued rate of growth.*

- (b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event.

*There are no definable “milestones” that are critical to the Issuer. The attainment of the objectives outlined above will be accomplished by the day to day efforts of its existing employee base and be funded out of normal operations.*

Disclose the total funds available to the Issuer and the following breakdown of those funds:

- (i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement; and  
(\$445,766]
- (ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b).

*As at the most recent month end, the Issuer had cash on hand of approximately \$1,363,155 million and trade receivables of \$2,339,236 with trade payables of \$1,667,086. In addition to this, the Avionic Division and Structures Division continue to earn net profits in excess of the Optical Wireless Division's losses indicating a continuing surplus of cash flow and profitability.*

- (d) Describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

*Due to the Issuer's profitability, all operational expenses will come out of day to day revenues. Any cash surpluses will be then allocated to:*

*1) a cash balance calculated on a month by month basis to ensure that enough is available to handle any unforeseen cash requirements or to take advantage of any cash discount opportunities offered by the Issuer's suppliers,*

*2) any remainder will be allocated to retiring debt with the first servicing priority given to the Targa Group Inc. debt and secondly to the preferred shareholder debt.*

- (e) For principal products or services,
- (i) the methods of their distribution and their principal markets;

### **Optical Wireless Division**

*The Issuer markets its products world-wide through direct sales, value added resellers ("VARs"), distributors, value added integrators ("VAIs") and Internet management. The Issuer reseller program has established close working relationships with a limited number of solution providers to serve as an extended sales and support force in Canada, the United States and around the world. These programs combine a selective recruitment process with a comprehensive partnering methodology, allowing the Issuer authorized resellers to promote, sell and support the WAVEBRIDGE products. The authorized Issuer reseller program ensures that resellers are carefully selected to offer focused value-added services or solutions. They share the Issuer's commitment to customer satisfaction and undergo extensive training to ensure they have the same world class selling and support skills as those required internally. The Issuer has signed contracts with approximately 35+ VARs throughout the world. Several of the contracted VARs have offices in multiple countries and regions. The Issuer has established a network of systems integrators who*

*include WAVEBRIDGE products in total solutions for customers. VAIs enjoy VAR purchasing privileges and provide increased market exposure for the Issuer.*

### **Avionic Division**

*The Issuer manufactures a wide range of components for the aerospace market including: wheel speed transducers for aircraft antiskid, indicators for aircraft cockpit instrumentation and proximity sensors for general sensing on aircrafts. The Issuer markets its products world-wide through direct sales, system integrators, distributors and repair centres. The Issuer has developed a thirty year relationship with its primary customer base located in the United States. The Issuer has also taken advantage of many on-line market specific advertising services such as Inventory Listing Services (“ILS”), Parts Base and Stock-Market.*

### **Structures Division**

*The Issuer markets its tubular structural products world-wide directly to architects and engineers and through sales agents. Over the past 40 years, the Issuer has developed strong relationships with many of these architects and engineers which has resulted in new and repeat business. The Issuer has many active sales agents around the globe and they share the Issuer’s commitment to delivering quality and customer satisfaction.*

- (ii) as dollar amounts or as percentages, for each of the two most recently completed financial years, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from
  - (A) sales to customers, other than investees, outside the consolidated entity,

*Out of the numerous customers the consolidated Issuer now services, only one accounted for more than 15%. This is Meggitt Aircraft Braking Systems, a purchaser of the Avionics Division’s wheel speed sensors. They purchased about 16% for the year ended March 2007. This fell below 15% of consolidated sales in year ended March 2008.*

- (B) sales or transfers to investees; and

*In 2007, the Issuer invoiced management consulting fees to various related parties, namely Hypernetics and Triodetic, for \$1,783,425 and \$231,075 respectively.*

*In 2008, the Issuer invoiced \$426,600 and \$572,750 respectively to these companies.*

*Subsequent to the amalgamation of Plaintiff, Hypernetics and the Triodetic Group of Companies, these management fees are no longer relevant.*

(C) sales or transfers to controlling shareholders; and

*See (B) above.*

(iii) if not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage,

(A) the timing and stage of research and development programs,

*Not applicable, products are fully developed with normal ongoing research and development in certain cases.*

(B) the major components of the proposed programs, including an estimate of anticipated costs,

*Not applicable, products are fully developed with normal ongoing research and development in certain cases.*

(C) whether the Issuer is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and

*Not applicable, products are fully developed with normal ongoing research and development in certain cases.*

(D) the additional steps required to reach commercial production and an estimate of costs and timing.

*Not applicable, products are fully developed with normal ongoing research and development in certain cases.*

(f) Concerning production and sales

(i) the actual or proposed method of production of products and if the Issuer provides services, the actual or proposed method of providing services;

### **Optical Wireless Division**

*The Issuer's manufacturing operations are located close to the Ottawa region in Arnprior, Ontario near a substantial community of high technology companies. The Issuer's manufacturing operations consist primarily of quality control, final assembly and testing. The Issuer generally purchases components, many of which are prepared to the Issuer's specifications, and sorts these components into kits for subcontractors to assemble according to the Issuer's specifications. The final assembly of major manufactured subcomponents, quality control testing, packing and shipping to the customer are performed by the Issuer at its manufacturing premises. Most of the Issuer's subcontractors and component suppliers also have their offices in the Ottawa area. These companies provide an infrastructure of services and a local pool of skilled workers and professionals.*

### **Avionic Division**

*The Issuer's manufacturing operations are located close to the Ottawa region in Arnprior, Ontario near a cluster of aerospace companies. The Issuer's manufacturing operations consist primarily of engineering, machine shop, production and quality control. The Issuer generally purchases raw materials and manufacturers a final product and performs full quality inspection before shipping to the customer. In some cases, parts are shipped to subcontractors for treatment under special processes. These parts are fully inspected by a designated quality inspector upon return to the Issuers premise from the subcontractor. The parts are packaged and shipped from the Issuer's manufacturing facility to the customer location. The Issuer manages the sales accounts from the manufacturing plant in Arnprior through e-mail, teleconference and direct calling. Once a year, the Issuer travels to the United States to visit a cluster of customer closely located in Ohio.*

### **Structures Division**

*The Issuer's manufacturing operations are located close to the Ottawa region in Arnprior, Ontario. The Issuer's manufacturing operations consist primarily of pre-forming galvanized steel, aluminum or stainless steel tubing, manufacturing cylinder hubs, base plates and other assembly products, pre-finishing inspection, quality control, final crating and shipping to the customers destination. The Issuer generally purchases raw materials many of which are prepared to the Issuer's specifications. Most of the Issuer's subcontractors and finished good suppliers also have their offices in the Ottawa area. These companies provide an infrastructure of services and a local pool of skilled workers and professionals.*

- (ii) the payment terms, expiration dates and terms of any renewal options of any material leases or mortgages, whether they are in good standing and, if applicable, that the landlord or mortgagee is a Related Person of the Issuer;

*The Issuer owns its Arnprior, Ontario buildings from which it carries on its businesses. Only one building has a mortgage, the other is paid off. The mortgage on the 90 DeCosta building is in good standing and current mortgage payment terms are fixed at \$1572.00 per month with approximately \$533,000 outstanding.*

- (iii) specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;

*Each of the Issuer's divisions requires specialized skill and knowledge. Such skill and knowledge is available to the Issuer through its employees and consultants.*

- (iv) the sources, pricing and availability of raw materials, component parts or finished products;

#### **Optical Wireless Division**

*The Issuer currently purchases its components and materials from a vendor base of approximately 50 different suppliers. Most of the components and materials are available from more than one supplier. Certain components such as diodes and optical chip sets, however, are available from only a single source or from limited sources, some of which require order lead times of up to 20 weeks. In general, the Issuer has been able to obtain adequate supplies of all components by scheduling orders over specified periods of time. In order to avoid late shipments due to delays in the manufacturing process, the Issuer's policy is to maintain an inventory of components, materials and assembled products in quantities sufficient to meet approximately three months of expected sales. Although the Issuer seeks to develop alternative sources of supply for products that are available from only one supplier, it expects that it will continue to be dependent on single or limited source supplier relationships in the future. These suppliers are generally major manufacturers.*

#### **Avionic Division**

*The Issuer currently purchases its components and raw materials from a vendor base of approximately 50 different aerospace quality approved suppliers. Most of the components and materials are available from more than one supplier. Certain services such as gear cutting and high speed balancing, however, are available from only a single source or from limited sources, some of which require order*

lead times of up to 20 weeks. In general, the Issuer has been able to obtain adequate supplies of all components by scheduling orders over specified periods of time. In order to avoid late shipments due to delays in the manufacturing process, the Issuer's policy is to maintain an inventory of components, materials and assembled products in quantities sufficient to meet approximately three months of expected sales. Although the Issuer seeks to develop alternative sources of supply for products that are available from only one supplier, it expects that it will continue to be dependent on single or limited source supplier relationships in the future. These suppliers are generally major manufacturers.

### **Structures Division**

The Issuer currently purchases its raw materials from a vendor base of approximately 25 different suppliers. Most of the raw materials are available from more than one supplier. Certain raw materials are available from only a single source or from limited sources, some of which require order lead times of up to 4 to 6 weeks. In general, the Issuer has been able to obtain adequate supplies of all raw materials by scheduling orders over specified periods of time. In order to avoid late shipments due to delays in the manufacturing process, the Issuer's policy is to maintain an inventory of raw materials and assembled products in quantities sufficient to meet approximately three months of expected sales. These suppliers are generally major manufacturers.

- (v) the importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks;

### **Optical Wireless Division**

The Issuer principally relies on copyright, trade secret and contract law to protect its proprietary technologies. It may be possible for a third party to copy or otherwise obtain and use the Issuer's products or technologies without authorization, or to develop similar technologies independently and there can be no assurance that such measures are adequate to protect the Issuer's proprietary technologies. In addition, the Issuer's products may be licensed in foreign countries and the laws of such foreign countries may treat the protection of proprietary rights differently than, and may not protect the Issuer's proprietary rights to the same extent as do, the laws of Canada. Although the Issuer appreciates the benefits of patent protection, it believes that the rapid pace of technological change in this industry makes patent protection less significant than factors such as the knowledge, ability and experience of the Issuer's employees, frequent product enhancements, and the timeliness and quality of

*support services provided by the Issuer. The Issuer also has registered trademarks in Canada and the United States.*

### **Avionic Division**

*The Issuer relies on strict product approvals and 35+ years of experience and product sales as a major competitive advantage. When an integrator (Issuer's customer) is awarded a contract from Boeing, Airbus, Bombardier, etc. the specified products are locked into the design. This means that the integrator must use the Issuer's products for the life of the programme. The programme may last at least 50 years. Other products are competitively positioned in the market.*

### **Structures Division**

*The Issuer principally relies on copyright, trade secret and contract law to protect its proprietary technologies. It may be possible for a third party to copy or otherwise obtain and use the Issuer's products or technologies without authorization, or to develop similar products independently and there can be no assurance that such measures are adequate to protect the Issuer's proprietary technologies. Although the Issuer appreciates the benefits of patent protection, it believes that patent protection is less significant than factors such as the knowledge, ability and experience of the Issuer's management, employees, frequent product innovation and enhancements, and the timeliness and quality of support services provided by the Issuer. The Issuer also has registered trademarks in Canada and the United States.*

- (vi) the extent to which the business of the segment is cyclical or seasonal;

*The Issuer's business is not seasonal.*

- (vii) a description of any aspect of the Issuer's business that may be affected in the 12 months following the date of the Listing Statement by renegotiation or termination of contracts or sub-contracts and the likely effect;

*No material aspect of the Issuer's business may be affected in the next 12 months by renegotiation or termination of contracts or subcontracts except for the possible termination by key employees of their employment contracts with the Issuer. In such cases, the impact of such terminations by key employees will only be known at such time. The Issuer is not aware of any intention on the part of its key employees to leave employment with the Issuer.*

- (viii) the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer in the current financial year and the expected effect, on future years;

*The financial and operational effects of environmental protection requirements on the Issuer are minimal and are expected to continue to be minimal.*

- (ix) the number of employees, as at the most recent financial year end or as an average over that year, whichever is more relevant; and

*Current employee levels are at about 100 people in total for all companies.*

- (x) any risks associated with foreign operations of the Issuer and any dependence of the segments upon the foreign operations.

*None.*

- (g) The competitive conditions in the principal markets and geographic areas in which the Issuer operates, including, if reasonably possible, an assessment of the Issuer's competitive position.

#### **Optical Wireless Division**

*The competitors for the Issuer are companies that produce short-haul wireless connectivity products which include RF, microwave and FSO companies. FSO has significant advantages over radio-based systems for certain markets, defined by range, bandwidth, flexibility, ease of installation and environmental requirements. As FSO addresses some of the problems that are created by the abundant use of RF and microwave systems, this document will focus and address competing FSO companies. The competitive landscape for FSO has approximately 5 companies that have established themselves in the FSO market. Almost all of the Issuer's known FSO competition relies on laser-based transmitters, with eye-damage risks and signal degradation problems inherent in the technology. Only the Issuer's WAVEBRIDGE LED solution is certified to be the highest eye-safe class 1 by the International Electrotechnical Commission. Some customers have eliminated all laser-based systems for safety concerns alone, and eye safety will become a major concern for residential and all indoor use. The companies listed below use laser technology as opposed to Plaintiff's LED technology. Two of the larger FSO companies, AirFibre Inc. and Terabeam Corp., did focus on mesh network applications, involving several device installations and the cost of acquisition, installation and maintenance make these systems more appropriate to large carriers and very large enterprises. Airfibre Inc. has ceased to exist and Terabeam Corp. has changed its*

product line. fSONA Communications Corporation, a Canadian competitor, has laser equipment that provides data rates up to 1.25 Gbps (Gigabit Ethernet, OC-24). Other competitors include PAV Data Systems Ltd. in the United Kingdom and Canon Europa of Amsterdam, Netherlands. The Issuer believes its WAVEBRIDGE LED optical wireless links offer a very competitive alternative to the competitors' laser products. However, there can be no assurance that the Issuer's competitors will not succeed in developing products which are more effective than any that are being developed by the Issuer, or which would render the Issuer's technologies and products obsolete and non-competitive. Many of the Issuer's competitors are significantly larger and have longer operating histories, greater name recognition and substantially greater financial, technical, personnel, research and development, marketing and other resources than the Issuer. As well, such companies may have a better ability to withstand a prolonged downturn in the telecommunications market than the Issuer.

### **Avionic Division**

The competitors for Hypernetics, Issuer's aerospace division, are companies that manufacture wheel speed transducers/tachometers/sensors, aircraft cockpit instrument indicators and proximity sensors for the aerospace market. There are two known competitors in the wheel speed transducer market. These competitors are, located in the United States and France. There is only one known competitor in the indicators business and one known competitor in the proximity sensor business, both located in the US. Hypernetics has been manufacturing products for many of its customers for over 30 years and is able to win new business and maintain existing accounts by offering a competitive high quality product to the market. In the wheel speed transducer market specifically, when Hypernetics is awarded a new programme it becomes the sole source for the product by default according to the aerospace market. This "sole source" status can last up to the life time of the programme (typically 50 years) or until the airframe manufacturer authorizes a requalification for a replacement part. The requalification process is seldom done as it is a long and expensive process.

### **Structures Division**

The competitors for the Issuer include several international space-frame and dome specialists, but direct competition is typically against metal fabricators in each project location. The Issuer prefers negotiated contracts and focuses on securing profitable business primarily through promoting to architects, engineers, designers and specifiers.

Applications for the Issuer tubular structure can be served by other arrangements of bolted or welded structural steel (e.g., rolled and plate beams, columns, bar joists, trusses and fabrications) and also by alternative 'pre-engineered' framing systems.

*The international market is so large and dispersed that these companies would compete directly against Issuer typically on industrial or architectural projects in and outside the US.*

*Various metal space-frame systems exist outside of North America; however, the Issuer has only minimally encountered them in international proposals.*

*Each project poses a different set of requirements that could favour one supplier versus another. The Issuer exhibits distinctive competence in all product categories and in many applications which contributes to its high order of new and repeat business success rate.*

- (h) With respect to lending operations of an Issuer's business, the investment policies and lending and investment restrictions.

*The Issuer does not in the normal course of its business lend funds and, as a result, does not have investment policies and lending and investment restrictions.*

- (2) Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year.

*None.*

- (3) Disclose the nature and results of any material reorganization of the Issuer or any of its subsidiaries within the three most recently completed financial years or the current financial year.

*None other than the Acquisition disclosed in Section 3.2(1)(a) above.*

- 4.2 For issuers with asset backed securities outstanding provide the disclosure required by items 6.2 and 10.3 of OSC Form 41-501F1 as if the securities were or were being distributed under a prospectus.

*Not applicable.*

- 4.3 For Issuers with a mineral project, disclose the following information for each property material to the Issuer:

*Not applicable.*

- (1) Property Description and Location

- (a) The area (in hectares or other appropriate units) and location of the property.
  - (b) The nature and extent of the Issuer's title to or interest in the property, including surface rights, obligations that must be met to retain the property and the expiration date of claims, licences and other property tenure rights.
  - (c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the property is subject.
  - (d) All environmental liabilities to which the property is subject.
  - (e) The location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailings ponds, waste deposits and important natural features and improvements.
  - (f) To the extent known, the permits that must be acquired to conduct the work proposed for the property and whether permits have been obtained.
- (2) Accessibility, Climate, Local Resources, Infrastructure and Physiography
- (a) The means of access to the property.
  - (b) The proximity of the property to a population centre and the nature of transport.
  - (c) To the extent relevant to the mining project, the climate and length of the operating season.
  - (d) The sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pads areas and potential processing plant sites.
  - (e) The topography, elevation and vegetation.
- (3) History
- (a) The prior ownership of the property and ownership changes and the type, amount, quantity and results of the exploration work undertaken by previous owners, and any previous production on the property, to the extent known.

- (b) If a property was acquired within the three most recently completed financial years of the Issuer or during its current financial year from, or is intended to be acquired by the Issuer from, an insider or promoter of the Issuer or an associate or affiliate of an insider or promoter, the name and address of the vendor, the relationship of the vendor to the Issuer, and the consideration paid or intended to be paid to the vendor.
  - (c) To the extent known, the name of every person or company that has received or is expected to receive a greater than five per cent interest in the consideration received or to be received by the vendor referred to in subparagraph (b).
- (4) Geological Setting — The regional, local and property geology.
- (5) Exploration Information — The nature and extent of all exploration work conducted by, or on behalf of, the Issuer on the property, including
  - (a) the results of all surveys and investigations and the procedures and parameters relating to surveys and investigations;
  - (b) an interpretation of the exploration information;
  - (c) whether the surveys and investigations have been carried out by the Issuer or a contractor and if by a contractor, identifying the contractor; and
  - (d) a discussion of the reliability or uncertainty of the data obtained in the program.
- (6) Mineralization — The mineralization encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity together with a description of the type, character and distribution of the mineralization.
- (7) Drilling — The type and extent of drilling including the procedures followed and an interpretation of all results.
- (8) Sampling and Analysis — The sampling and assaying including
  - (a) a description of sampling methods and the location, number, type, nature, spacing and density of samples collected;
  - (b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy or reliability of the results;

- (c) a discussion of sample quality and whether the samples are representative of any factors that may have resulted in sample biases;
  - (d) rock types, geological controls, widths of mineralized zones, cut-off grades and other parameters used to establish the sampling interval; and
  - (e) quality control measures and data verification procedures.
- (9) Security of Samples — The measures taken to ensure the validity and integrity of samples taken.
- (10) Mineral Resources and Mineral Reserves — The mineral resources and mineral reserves, if any, including
- (a) the quantity and grade or quality of each category of mineral resources and mineral reserves;
  - (b) the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves; and
  - (c) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues.
- (11) Mining Operations — For development properties and production properties, the mining method, metallurgical process, production forecast, markets, contracts for sale of products, environmental conditions, taxes, mine life and expected payback period of capital.
- (12) Exploration and Development — A description of the Issuer's current and contemplated exploration or development activities, to the extent they are material.
- 4.4 Issuers with Oil and Gas Operations — For Issuers with oil and gas operations, disclose the following (in tabular form, if appropriate):

*Not applicable.*

- (a) Drilling Activity — The number of wells the Issuer has drilled or has participated in drilling, the number of these wells that were completed as oil wells and gas wells that are capable of production, each stated separately, and the number of dry holes, expressed in each case as gross and net wells, during each of the two most recently completed financial years of the Issuer.

- (b) Location of Production — The geographical areas of the Issuer's production, the groups of oil and gas properties, the individual oil and gas properties and the plants, facilities and installations that, in each case, are owned or leased by the Issuer and are material to the Issuer's operations or exploratory activities.
- (c) Location of Wells — The location, stated separately for oil wells and gas wells, by jurisdiction, if in Canada, by state, if in the United States, and by country otherwise, of producing wells and wells capable of producing, in which the Issuer has an interest and which are material, with the interest expressed in terms of gross and net wells.
- (d) Interest in Material Properties — For interests in material properties to which no proved reserves have been attributed, the gross acreage in which the Issuer has an interest and the net interest of the Issuer, and the location of acreage by geographical area.
- (e) Reserve Estimates — To the extent material, estimated reserve volumes and discounted cash flow from such reserves, stated separately by country and by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy Statement No. 2-B Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators or any successor instrument, on both a gross and net basis as at the most recent financial year end, including information on royalties.
- (f) Source of Reserve Estimates — The source of the reserve estimates and whether the reserve estimates have been prepared by the Issuer or by independent engineers or other qualified independent persons and any other information relating to reserve estimates required to be disclosed in a prospectus by any successor instrument to National Policy Statement No. 2-B.
- (g) Reconciliation of Reserves — A reconciliation of the reserve volumes by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy Statement No. 2-B or any successor instrument, as at the financial year end immediately preceding the most recently completed financial year to the reserve volume information furnished under paragraph 5, with the effects of production, acquisitions, dispositions, discoveries and revision of estimates shown separately, if material.
- (h) History — For each quarter of the most recently completed financial year of the Issuer, with comparative data for the same periods in the preceding financial year,
  - (i) the average daily production volume, before deduction of royalties, of

- (A) conventional crude oil,
  - (B) natural gas liquids, and
  - (C) natural gas;
- (ii) the following on a per barrel basis for conventional crude oil and natural gas liquids and on a per thousand cubic feet basis for natural gas
- (A) the average net product prices received,
  - (B) royalties,
  - (C) operating expenses, specifying the particular items included, and
  - (D) netback received;
- (iii) the average net product price received for the following, if the Issuer's production of the following is material to the Issuer's overall production,
- (A) light and medium conventional crude oil,
  - (B) heavy conventional crude oil, and
  - (C) synthetic crude oil; and
- (iv) the dollar amounts expended on
- (A) property acquisition,
  - (B) exploration, including drilling, and
  - (C) development, including facilities.
- (i) Future Commitments — A description of the Issuer's future material commitments to buy, sell, exchange or transport oil or gas, stating for each commitment separately
- (i) the aggregate price;
  - (ii) the price per unit;
  - (iii) the volume to be purchased, sold, exchanged or transported; and

- (iv) the term of the commitment.
- (j) Exploration and Development — A description of the Issuer's current and contemplated exploration or development activities, to the extent they are material.

## 5. Selected Consolidated Financial Information

*See the following attached as Schedule A to this Listing Statement:*

*(i) Management's discussion and analysis dated July 18, 2008 of the financial condition and results of operation of the Issuer for the years ended March 31, 2008, 2007 and 2006; and*

*(ii) Management's discussion and analysis dated August 28, 2008 for the three period ended June 30, 2008.*

*((i), and (ii) are collectively referred to as the "MD&A")*

- 5.1 Annual Information — Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:

- (a) Net sales or total revenues.

*See MD&A.*

- (b) Income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook.

*See MD&A.*

- (c) Net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook.

*See MD&A.*

- (d). Total assets.

*See MD&A.*

- (e) Total long-term financial liabilities as defined in the Handbook.

*See MD&A.*

- (f) Cash dividends declared per share for each class of share.

*None.*

- (g) Such other information as the Issuer believes would enhance an understanding of and would highlight other trends in financial condition and results of operations.

*None other than as disclosed in MD&A.*

- 5.2 Quarterly Information — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (b) of Section 5.1

*See MD&A.*

- 5.3 Dividends

- (a) Describe any restriction that could prevent the Issuer from paying dividends.

*No restrictions other than class A preferred shares have priority dividend rights over common shareholders.*

- (b) Disclose the Issuer's dividend policy and if a decision has been made to change the dividend policy, disclose the intended change in dividend policy.

*The Issuer has no fixed dividend policy.*

- 5.4 Foreign GAAP — An Issuer may present the selected consolidated financial information required in this section on the basis of foreign GAAP if

- (a) the Issuer's primary financial statements have been prepared using foreign GAAP; and

*Not applicable.*

- (b) if the Issuer is required under applicable securities legislation to have reconciled its financial statements to Canadian GAAP at the time of filing its financial statements or the Issuer has otherwise done so, a cross reference to the notes to the financial statements containing the reconciliation of the financial statements to Canadian GAAP is included.

*Not applicable.*

## 6. Management's Discussion and Analysis

*See the following attached as Schedule A to this Listing Statement:*

*(i) Management's discussion and analysis dated July 18, 2008 of the financial condition and results of operation of the Issuer for the years ended March 31, 2008, 2007 and 2006.*

*(ii) Management's discussion and analysis dated February 27, 2008 for the three and nine month periods ended December 31, 2007.*

*((i) and (ii) are collectively referred to as the "MD&A")*

### **Annual MD&A**

#### **Date**

6.1 Specify the date of the MD&A. The date of the MD&A must be no earlier than the date of the auditor's report on the financial statements for the Issuer's most recently completed financial year.

*July 18, 2008.*

#### **Overall Performance**

6.2 Provide an analysis of the Issuer's financial condition, results of operations and cash flows. Discuss known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on the Issuer's business. Compare the Issuer's performance in the most recently completed financial year to the prior year's performance. The analysis should address at least the following:

(a) operating segments that are reportable segments as those terms are used in the Handbook;

*See MD&A.*

(b) other parts of the business if

(i) they have a disproportionate effect on revenues, income or cash needs; or

*See MD&A.*

(ii) there are any legal or other restrictions on the flow of funds from one part of the Issuer's business to another;

*See MD&A.*

- (c) industry and economic factors affecting the Issuer's performance;

*See MD&A.*

- (d) why changes have occurred or expected changes have not occurred in the Issuer's financial condition and results of operations; and

*See MD&A.*

- (e) the effect of discontinued operations on current operations.

*See MD&A.*

### **Selected Annual Information**

- 6.3 Provide the following financial data derived from the Issuer's financial statements for each of the three most recently completed financial years:

- (a) net sales or total revenues;

*See MD&A.*

- (b) income or loss before discontinued operations and extraordinary items, in total and on a per-share and diluted per-share basis;

*See MD&A.*

- (c) net income or loss, in total and on a per-share and diluted per-share basis;

*See MD&A.*

- (d) total assets;

*See MD&A.*

- (e) total long-term financial liabilities; and

*See MD&A.*

- (f) cash dividends declared per-share for each class of share.

*None.*

- 6.4 Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant

acquisitions or dispositions and changes in the direction of the Issuer's business, and any other information the Issuer believes would enhance an understanding of, and would highlight trends in, financial condition and results of operations.

*See MD&A.*

## **Results of Operations**

6.5 Discuss management's analysis of the Issuer's operations for the most recently completed financial year, including

- (a) net sales or total revenues by operating business segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;

*See MD&A.*

- (b) any other significant factors that caused changes in net sales or total revenues;

*See MD&A.*

- (c) cost of sales or gross profit;

*See MD&A.*

- (d) for issuers that have significant projects that have not yet generated operating revenue, describe each project, including the Issuer's plan for the project and the status of the project relative to that plan, and expenditures made and how these relate to anticipated timing and costs to take the project to the next stage of the project plan;

*Not applicable.*

- (e) for resource issuers with producing mines, identify milestones such as mine expansion plans, productivity improvements, or plans to develop a new deposit;

*Not applicable.*

- (f) factors that caused a change in the relationship between costs and revenues, including changes in costs of labour or materials, price changes or inventory adjustments;

*See MD&A.*

- (g) commitments, events, risks or uncertainties that you reasonably believe will materially affect the Issuer's future performance including net sales, total revenue and income or loss before discontinued operations and extraordinary items;

*See MD&A.*

- (h) effect of inflation and specific price changes on the Issuer's net sales and total revenues and on income or loss before discontinued operations and extraordinary items;

*See MD&A.*

- (i) a comparison in tabular form of disclosure you previously made about how the Issuer was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on the Issuer's ability to achieve its business objectives and milestones; and

*No proceeds from financings expected in short term.*

- (j) unusual or infrequent events or transactions.

*See MD&A.*

### **Summary of Quarterly Results**

6.6 Provide the following information in summary form, derived from the Issuer's financial statements, for each of the eight most recently completed quarters:

- (a) net sales or total revenues;

*See MD&A.*

- (b) income or loss before discontinued operations and extraordinary items, in total and on a per-share and diluted per-share basis; and

*See MD&A.*

- (c) net income or loss, in total and on a per-share and diluted per-share basis.

*See MD&A.*

Discuss the factors that have caused variations over the quarters necessary to understand general trends that have developed and the seasonality of the business.

*See MD&A.*

## **Liquidity**

6.7 Provide an analysis of the Issuer's liquidity, including

- (a) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain the Issuer's capacity, to meet the Issuer's planned growth or to fund development activities;

*See MD&A.*

- (b) trends or expected fluctuations in the Issuer's liquidity, taking into account demands, commitments, events or uncertainties;

*See MD&A.*

- (c) its working capital requirements;

*See MD&A.*

- (d) liquidity risks associated with financial instruments;

*See MD&A.*

- (e) if the Issuer has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;

*See MD&A.*

- (f) balance sheet conditions or income or cash flow items that may affect the Issuer's liquidity;

*See MD&A.*

- (g) legal or practical restrictions on the ability of subsidiaries to transfer funds to the Issuer and the effect these restrictions have had or may have on the ability of the Issuer to meet its obligations; and

*None.*

- (h) defaults or arrears or anticipated defaults or arrears on

- (i) dividend payments, lease payments, interest or principal payment on debt;

*See MD&A.*

- (ii) debt covenants during the most recently completed financial year; and

*None.*

- (iii) redemption or retraction or sinking fund payments,

*None.*

and how the Issuer intends to cure the default or arrears.

### **Capital Resources**

6.8 Provide an analysis of the Issuer's capital resources, including

- (a) commitments for capital expenditures as of the date of the Issuer's financial statements including

- (i) the amount, nature and purpose of these commitments;

*See MD&A.*

- (ii) the expected source of funds to meet these commitments; and

*See MD&A.*

- (iii) expenditures not yet committed but required to maintain the Issuer's capacity, to meet the Issuer's planned growth or to fund development activities;

*See MD&A.*

- (b) known trends or expected fluctuations in the Issuer's capital resources, including expected changes in the mix and relative cost of these resources; and

*See MD&A.*

- (c) sources of financing that the Issuer has arranged but not yet used.

*See MD&A.*

## **Off-Balance Sheet Arrangements**

6.9 Discuss any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Issuer including, without limitation, such considerations as liquidity and capital resources. This discussion shall include their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments, including

- (a) a description of the other contracting party(ies);

*See MD&A.*

- (b) the effects of terminating the arrangement;

*See MD&A.*

- (c) the amounts receivable or payable, revenues, expenses and cash flows resulting from the arrangement;

*See MD&A.*

- (d) the nature and amounts of any other obligations or liabilities arising from the arrangement that could require the Issuer to provide funding under the arrangement and the triggering events or circumstances that could cause them to arise; and

*See MD&A.*

- (e) any known event, commitment, trend or uncertainty that may affect the availability or benefits of the arrangement (including any termination) and the course of action that management has taken, or proposes to take, in response to any such circumstances.

*See MD&A.*

## **Transactions with Related Parties**

6.10 Discuss all transactions involving related parties as defined by the Handbook.

*See MD&A.*

## **Fourth Quarter**

6.11 Discuss and analyze fourth quarter events or items that affected the Issuer's financial condition, cash flows or results of operations, including

extraordinary items, year-end and other adjustments, seasonal aspects of the Issuer's business and dispositions of business segments.

*For the fourth quarter of 2008, there were no extraordinary material events that impacted the results of the Issuer. However, during this period, the Issuer was in the process of completing the Acquisition which closed on April 1, 2008. As a result, this transaction activity resulted in higher than normal accounting and legal fees.*

### **Proposed Transactions**

- 6.12 Discuss the expected effect on financial condition, results of operations and cash flows of any proposed asset or business acquisition or disposition if the Issuer's board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

*None (other than completed Acquisition described in Section 3.2(1)(a)).*

### **Changes in Accounting Policies including Initial Adoption**

- 6.13 Discuss and analyze any changes in the Issuer's accounting policies, including

(a) for any accounting policies that management has adopted or expects to adopt subsequent to the end of the most recently completed financial year, including changes management has made or expects to make voluntarily and those due to a change in an accounting standard or a new accounting standard that you do not have to adopt until a future date,

- (i) describe the new standard, the date the Issuer required to adopt it and, if determined, the date the Issuer plans to adopt it;

*See MD&A.*

- (ii) disclose the methods of adoption permitted by the accounting standard and the method management expects to use;

*See MD&A.*

- (iii) discuss the expected effect on the Issuer's financial statements, or if applicable, state that management cannot reasonably estimate the effect; and

*See MD&A.*

- (iv) discuss the potential effect on the Issuer's business, for example technical violations or default of debt covenants or changes in business practices; and

*See MD&A.*

- (b) for any accounting policies that management has initially adopted during the most recently completed financial year,

- (i) describe the events or transactions that gave rise to the initial adoption of an accounting policy;

*See MD&A.*

- (ii) describe the accounting principle that has been adopted and the method of applying that principle;

*See MD&A.*

- (iii) discuss the effect resulting from the initial adoption of the accounting policy on the Issuer's financial condition, changes in financial condition and results of operations;

*See MD&A.*

- (iv) if the Issuer is permitted a choice among acceptable accounting principles,

- (A) state that management made a choice among acceptable alternatives;

*Not applicable.*

- (B) identify the alternatives;

*Not applicable.*

- (C) describe why management made the choice that you did; and

*Not applicable.*

- (D) discuss the effect, where material, on the Issuer's financial condition, changes in financial condition and results of operations under the alternatives not chosen; and

*Not applicable.*

- (v) if no accounting literature exists that covers the accounting for the events or transactions giving rise to management's initial adoption of the accounting policy, explain management's decision regarding which accounting principle to use and the method of applying that principle.

*Not applicable.*

### **Financial Instruments and Other Instruments**

6.14 For financial instruments and other instruments,

- (a) discuss the nature and extent of the Issuer's use of, including relationships among, the instruments and the business purposes that they serve;

*The Issuer's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, due to related parties – convertible debentures, due to related parties – other, due from related parties. These accounts have arisen from normal course operations and financing received from related parties to fund ongoing operations. The Issuer does not use financial instruments to hedge foreign exchange, interest rate or other risks.*

- (b) describe and analyze the risks associated with the instruments;

The risks associated with financial instruments are set out in its financial statements as follows:

#### *Concentration of Credit Risk*

*Financial instruments which potentially subject the Issuer to a concentration of credit risk consist principally of cash, investments, due from partnership and trade accounts receivables. The Issuer invests its excess cash in high-quality financial instruments. The Issuer has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. Anticipated bad debt loss has been provided for in the allowance for doubtful accounts.*

#### *Interest Risk*

*The Issuer is financed through loans from related parties and a bank loan from time to time which bear interest at rates tied to the Canadian bank prime rate. Consequently, the Issuer is exposed to the risk of increases in the prime rate.*

## *Fair Values*

*The fair values of amounts due to and due from related parties are not determinable as comparable arm's length debts are not available.*

*The carrying amounts for trade accounts receivable, due from partnership and accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments or the terms of the instrument. The carrying amount for the bank loan approximates fair value as the interest rate is reflective of rates currently available for similar debts.*

- (c) describe how management manages the risks in paragraph (b), including a discussion of the objectives, general strategies and instruments used to manage the risks, including any hedging activities;

*Management monitors financial instruments to determine the balance of exposure to foreign exchange or interest rate risk. The net exposure generally relates to net related party liabilities. Management has attempted to mitigate the net exposure by providing and charging for management services to related parties to reduce the net related party liability. Management does not feel that the cost of hedging that risk through financial instruments provides sufficient benefit.*

- (d) disclose the financial statement classification and amounts of income, expenses, gains and losses associated with the instrument; and

*Cash is recorded at fair value and is classified as held for trading with any changes recorded in net loss. Trade and other accounts receivable and accounts payable and accrued liabilities are recorded at amortized cost using the effective interest method and classified as loans and receivables. The Issuer classifies due to related parties – convertible debentures, due to related parties – other and due from related parties as loans and receivables. Additional detail on related party balances are described in detail in the Issuer's financial statement.*

- (e) discuss the significant assumptions made in determining the fair value of financial instruments, the total amount and financial statement classification of the change in fair value of financial instruments recognized in income for the period, and the total amount and financial statement classification of deferred or unrecognized gains and losses on financial instruments.

*The fair values of amounts due to and due from related parties are not determinable as comparable arm's length debts are not available.*

*The carrying amounts for trade accounts receivable, due from partnership and accounts payable and accrued liabilities approximate fair value due to*

*the short maturity of these instruments or the terms of the instrument. The carrying amount for the bank loan approximates fair value as the interest rate is reflective of rates currently available for similar debts.*

### **Interim MD&A**

6.15 Specify the date of the interim MD&A.

*February 27, 2008.*

6.16 Interim MD&A must update the Issuer's annual MD&A for all disclosure required by sections 6.2 to 6.14 except sections 6.3 and 6.4. This disclosure must include

(a) a discussion of management's analysis of

(i) current quarter and year-to-date results including a comparison of results of operations and cash flows to the corresponding periods in the previous year;

*See MD&A.*

(ii) changes in results of operations and elements of income or loss that are not related to ongoing business operations;

*See MD&A.*

(iii) any seasonal aspects of the Issuer's business that affect its financial condition, results of operations or cash flows; and

*See MD&A.*

(b) a comparison of the Issuer's interim financial condition to the Issuer's financial condition as at the most recently completed financial year-end.

*See MD&A.*

### ***Additional Disclosure for Issuers without Significant Revenue***

6.17

(1) Unless the information is disclosed in the financial statements to which the annual or interim MD&A relates, an Issuer that has not had significant revenue from operations in either of its last two financial years must disclose a breakdown of material components of

(a) capitalized or expensed exploration and development costs;

*Not applicable.*

- (b) expensed research and development costs;

*Not applicable.*

- (c) deferred development costs;

*Not applicable.*

- (d) general and administration expenses; and

*Not applicable.*

- (e) any material costs, whether capitalized, deferred or expensed, not referred to in paragraphs (a) through (d)

*Not applicable.*

and if the Issuer's business primarily involves mining exploration and development, the analysis of capitalized or expensed exploration and development costs must be presented on a property-by-property basis.

- (2) The disclosure in the annual MD&A must be for the two most recently completed financial years and the disclosure in the interim MD&A for the each year-to-date interim period and the comparative period presented in the interim statements.

*Not applicable.*

## **7. Market for Securities**

- 7.1 Identify the exchange(s) and quotation system(s) on which the Issuer's securities are listed and posted for trading or quoted.

*The Issuer's securities are quoted on the OTCBB in the United States under the symbol PTEEF.*

## **8. Consolidated Capitalization**

- 8.1 Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Listing Statement.

*In the fourth quarter of fiscal 2008, the Issuer paid a substantial portion of the convertible debentures described in the MD&A (face value of \$1,485,000 paid down to*

*\$147,760). Following the close of fiscal 2008, the Issuer entered into the following new credit facility with related parties: (i) April 1, 2008 Targa Group Inc. credit facility described in Section 20.1(a); (ii) April 1, 2008 Targa Group Inc. demand loan described in Section 20.1(a); and (iii) April 1, 2008 Tidal Quality Management Corporation demand loan described in Section 20.1(a).*

## **9. Options to Purchase Securities**

9.1 State, in tabular form, as at a specified date not more than 30 days before the date of the Listing Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by

- (a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies, without naming them;

<i> Holders </i>	<i> Number of Common Shares under Options<sup>(1)</sup> </i>	<i> Exercise Price Per Common Share </i>	<i> Expiry Date </i>	<i> Market Price at Date of Grant </i>
<i> Officers as a Group (includes Directors who are also Officers) </i>	<i> 180,000 </i>	<i> \$0.12<sup>(3)</sup> </i>	<i> August 11, 2013 </i>	<i> \$0.12<sup>(3)</sup> </i>
<i> Directors who are not also Officers as a Group </i>	<i> 400,000 </i>	<i> \$0.12<sup>(3)</sup> </i>	<i> August 11, 2013 </i>	<i> \$0.12<sup>(3)</sup> </i>
<i> All other Employees as a Group </i>	<i> 7,500<sup>(2)</sup> </i> <i> 10,000 </i>	<i> \$1.05<sup>(2)</sup> </i> <i> \$0.12<sup>(3)</sup> </i>	<i> November 19, 2008 </i> <i> August 11, 2008 </i>	<i> \$1.05<sup>(2)</sup> </i> <i> \$0.12<sup>(3)</sup> </i>
<i> Others (non-employees, Directors, Officers) as a Group </i>	<i> 10,000<sup>(2)</sup> </i>	<i> \$0.80<sup>(2)</sup> </i>	<i> September 9, 2010 </i>	<i> \$0.80<sup>(2)</sup> </i>

*Note (1) As at August 15, 2008*

*(2) Adjusted to reflect 1 for 10 consolidation in Issuer's common shares on April 1, 2008.*

*(3) Based on closing price of Plaintiff Common Shares on OTCBB on Friday August 8, 2008 of US\$0.11 and converted into Canadian dollars based on the noon rate of the Bank of Canada of \$1.0678 on Friday August 8, 2008.*

- (b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, in each case, without naming them and excluding individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies;

*None.*

- (c) all other employees and past employees of the Issuer as a group, without naming them;

*See 9.1(a) above.*

- (d) all other employees and past employees of subsidiaries of the Issuer as a group, without naming them;

*None.*

- (e) all consultants of the Issuer as a group, without naming them; and

*See 9.1(a) above.*

- (f) any other person or company, including the underwriter, naming each person or company.

*See 9.1(a) above.*

## **10. Prior Sales**

- 10.1 State the description or the designation each class of equity or debt securities of the Issuer and describe all material attributes and characteristics, including

- (a) dividend rights;

*Common Shares: Dividend right subject to prior right of class A holders.*

*Class A Preferred Shares: priority cumulative dividend right in the amount of 8% of the redemption amount (\$1,000) per annum.*

*Secured Convertible Debentures: None.*

- (b) voting rights;

*Common Shares: One vote per share.*

*Class A Preferred Shares: Non-voting subject to the Canada Business Corporations Act.*

*Secured Convertible Debentures: None.*

- (c) rights upon dissolution or winding-up;

*Common Shares: Right to receive remaining property subject to class A preferred share priority.*

*Class A Preferred Shares: Entitled to receive in priority to common shares an amount equal to the redemption price (\$1,000 per share plus declared or accrued but unpaid dividends).*

*Secured Convertible Debentures: Rights granted pursuant to general security agreement over assets of the Issuer.*

- (d) pre-emptive rights;

*Common Shares: None.*

*Class A Preferred Shares: None.*

*Secured Convertible Debentures: None.*

- (e) conversion or exchange rights;

*Common Shares: None.*

*Class A Preferred Shares: None.*

*Secured Convertible Debentures: Right of Debentureholder to convert principal and interest into common shares at the conversion price in effect on the conversion date.*

- (f) redemption, retraction, purchase for cancellation or surrender provisions;

*Common Shares: None.*

*Class A Preferred Shares: Redeemable at the option of the holder or the Issuer at the redemption price (\$1,000 per share plus declared or accrued but unpaid dividends).*

*Secured Convertible Debentures: None.*

- (g) sinking or purchase fund provisions;

*Common Shares: None.*

*Class A Preferred Shares: None.*

*Secured Convertible Debentures: None.*

- (h) provisions permitting or restricting the issuance of additional securities and any other material restrictions;

*Common Shares: None.*

*Class A Preferred Shares: None.*

*Secured Convertible Debentures: None.*

- (i) provisions requiring a securityholder to contribute additional capital;

*Common Shares: None.*

*Class A Preferred Shares: None.*

*Secured Convertible Debentures: None.*

- (j) provisions for interest rate, maturity, and premium, if any of debt securities;

*Secured Convertible Debentures: Interest at 10% per annum and maturity in accordance with terms of secured convertible debentures.*

- (k) the nature and priority of any security for debt securities, briefly identifying the principal properties subject to lien or charge;

*Secured Convertible Debentures: Secured by general security agreement over all of the current and future assets of the Issuer. Security ranks in 3rd priority over the assets of the Issuer.*

- (l) any material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the assets of the Issuer or its subsidiaries, and provisions as to the release or substitution of assets securing debt securities;

*Common Shares: None.*

*Class A Preferred Shares: None.*

*Secured Convertible Debentures: The Issuer may not create, incur or permit to exist, will defend the collateral against, and will take such other action as is necessary to remove, any lien or claim on or to the collateral, other than the liens created by the secured convertible debentures and other than as permitted in writing by the debentureholder, and the Issuer will defend the right, title and interest of the debentureholder in and to any of the collateral against the claims and demands of all persons. The Issuer will not sell, transfer, lease or otherwise dispose of any of the collateral, or attempt, offer or contract to do so except as permitted in writing by the debentureholder; provided, however, that the Issuer may sell, transfer, lease or otherwise dispose of inventory in the ordinary course of business.*

- (m) the name of the trustee under any indenture relating to debt securities and the nature of any material relationship between the trustee or any of its affiliates and the issuer or any of its affiliates; and

*None.*

- (n) any financial arrangements between the Issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.

*None.*

- 10.2 State the prices at which securities of the same class as the securities to be listed have been sold within the 12 months before the date of the Listing Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.

*The only issuance of shares by the Issuer in the last 12 months was in connection with the Acquisition disclosed in Section 3.2(1)(a). In that case, common shares and class A preferred shares of the Issuer were issued to William David Watson II and to Nora Watson, both related parties at the price of \$0.05 (\$0.005 pre-consolidation) per common share and \$1,000 per class A preferred share.*

### 10.3 Stock Exchange Price

- (1) If shares of the same class as the shares to be listed were or are listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the Canadian stock exchange or market on which the greatest volume of trading generally occurs.

*The Issuer's common shares were listed on the Toronto Stock Exchange until delisted on October 18, 2005 for failure to meet the continued listing requirements.*

- (2) If shares of the same class as the shares to be listed were or are not listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the foreign stock exchange or market on which the greatest volume of trading generally occurs.

*The Issuer's common shares are quoted on the OTCBB in the United States under the symbol PTEEF.*

<i>Month Ended</i>	<i>High</i>	<i>Low</i>	<i>Close</i>	<i>Last Bid</i>	<i>Last Ask</i>	<i>Volume</i>
<i>8/15/2008<sup>1</sup></i>	<i>0.15</i>	<i>0.10</i>	<i>0.15</i>	<i>0.10</i>	<i>0.15</i>	<i>32,325</i>
<i>7/31/2008</i>	<i>0.25</i>	<i>0.06</i>	<i>0.11</i>	<i>0.10</i>	<i>0.20</i>	<i>76,092</i>
<i>6/30/2008</i>	<i>0.30</i>	<i>0.15</i>	<i>0.15</i>	<i>0.20</i>	<i>0.272</i>	<i>55,870</i>
<i>5/31/2008</i>	<i>0.45</i>	<i>0.20</i>	<i>0.34</i>	<i>0.25</i>	<i>0.34</i>	<i>94,217</i>
<i>4/30/2008</i>	<i>0.50</i>	<i>0.12</i>	<i>0.20</i>	<i>0.12</i>	<i>0.50</i>	<i>141,130</i>
<i>3/31/2008</i>	<i>0.30</i>	<i>0.15</i>	<i>0.16</i>	<i>0.15</i>	<i>0.30</i>	<i>122,329</i>

*1. Partial month information*

<i>Quarter Ended</i>	<i>High</i>	<i>Low</i>	<i>Close</i>	<i>Last Bid</i>	<i>Last Ask</i>	<i>Volume</i>
3/31/2008	0.30	0.15	0.16	0.15	0.30	122,329
12/31/2007	0.21	0.055	0.09	0.07	0.115	431,564
9/30/2007	0.15	0.05	0.08	0.06	0.13	325,577
6/30/2007	0.1	0.04	0.05	0.05	0.09	183,173
3/31/2007	0.15	0.05	0.06	0.07	0.08	217,844
12/31/2006	0.13	0.04	0.07	0.04	0.07	306,944
9/30/2006	0.15	0.04	0.07	0.07	0.09	271,985

- (3) Information is to be provided on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.

*See Section 10.3(2) above.*

## 11. Escrowed Securities

- 11.1 State as of a specified date within 30 days before the date of the Listing Statement, in substantially the following tabular form, the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.

### ESCROWED SECURITIES

Designation of class held in escrow	Number of securities held in escrow	Percentage of class
<i>None</i>	<i>None</i>	<i>N/A</i>

## 12. Principal Shareholders

- 12.1 (1) Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Listing Statement:
- (a) Name.

*Targa Group Inc., is a private company controlled by William David Watson II, the President and Chief Executive Officer of the Issuer and by*

*Nora Watson, spouse of William David Watson, the Chairman and Vice President, Mergers and Acquisitions of the Issuer.*

- (b) The number or amount of securities owned of the class to be listed

*2,524,676 common shares. This total does not include 1,925,000 and 1,575,000 common shares held individually by William David Watson II and Nora Watson, respectfully.*

- (c) Whether the securities referred to in subsection 12(1)(b) are owned both of record and beneficially, of record only, or beneficially only.

*Owned both of record and beneficially.*

- (d) The percentages of each class of securities known by the Issuer to be owned.

*20.2% of the common shares and 49.1% of the class A preferred shares (held by Targa Electronics Systems Inc., a wholly owned subsidiary of Targa Group Inc.). William David Watson II and Nora Watson hold 15.4% and 12.6%, respectively, of the common shares, and 28.4% and 22.5%, respectively, of the Class A preferred shares.*

- (2) If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person of company described in paragraph (1) that will exist after giving effect to the transaction.

*Not applicable.*

- (3) If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.

*None.*

- (4) If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.

*Not applicable.*

- (5) In addition to the above, include in a footnote to the table, the required calculation(s) on a fully-diluted basis.

*Targa Group Inc. owns 19% of the common shares of the Issuer on a fully-diluted basis.*

### 13 Directors and Officers

- 13.1 List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years.

*The following table sets out the names of the directors and officers, the municipality in which each is ordinarily resident, all offices of the Issuer now held by each of them, their present principal occupation, the period of time during which each has been a director of the Issuer and the number of Common Shares of the Issuer beneficially owned by each, directly or indirectly, or over which they exercise control or direction, as at the date hereof:*

<i>Name and Residence</i>	<i>Office Held with Company</i>	<i>Present Principal Occupation<sup>(1)</sup></i>	<i>Director Since</i>	<i>Number of Common Shares<sup>(1)</sup></i>
<i>William David Watson</i> <i>Merrickville, Ontario</i>	<i>Chairman of the Board of Directors of the Company and Vice President, Mergers and Acquisitions of the Company</i>	-	1999	7,000 <sup>(5)</sup>
<i>William David Watson II<sup>(3)</sup></i> <i>Burrits Rapids, Ontario</i>	<i>Chief Executive Officer and President of the Company</i>	-	1999	4,449,676 <sup>(5)(6)</sup>
<i>Robert E. Shea<sup>(4)</sup></i> <i>Boston, Massachusetts</i>	-	<i>Chairman of Shea Financial Group</i>	2000	131,400 <sup>(2)(5)</sup>
<i>Girvan L. Patterson<sup>(3)(4)</sup></i> <i>Ottawa, Ontario</i>	-	<i>Chief Operating Officer of Taransys Inc..</i>	2000	1,800 <sup>(5)</sup>

<b>Name and Residence</b>	<b>Office Held with Company</b>	<b>Present Principal Occupation<sup>(1)</sup></b>	<b>Director Since</b>	<b>Number of Common Shares<sup>(1)</sup></b>
<b>Jerry S. Vickers</b> <sup>(3)(4)</sup>  Toronto, Ontario	-	Independent Financial advisor	2003	-(5)
<b>Hon. John Buchanan, P.C.</b>  Halifax, Nova Scotia	-	Member of the Senate of Canada	2003	-(5)
<b>Lynn Saunders</b>  Braeside, Ontario	Chief Financial Officer and VP, Operations of the Company	-	-	-(5)
<b>Jason Lee</b>  Calabogie, Ontario	Vice President, Business Development	-	-	-(5)
<b>Gary Jessop</b>  Ottawa, Ontario	Corporate Secretary of Company	Partner of Blake Cassels & Graydon LLP, Barristers and Solicitors	-	-

*Notes:*

- (1) *The information has been furnished by the respective directors and officers individually. The common share numbers have been adjusted to reflect the completion of the 1 for 10 consolidation on April 1, 2008.*
- (2) *Held through a holding company. Does not include \$147,760 secured convertible debentures held directly by Mr. Shea and indirectly through a company related to Mr. Shea having conversion prices ranging from \$0.40 to \$0.65. The debentures may be converted at anytime into Common Shares and if all of the debentures are converted, 332,130 Common Shares will be issued to Mr. Shea or to his affiliates.*
- (3) *Member of Compensation and Corporate Governance Committee*
- (4) *Member of Audit Committee*
- (5) *Does not include the following options to acquire Common Shares: Robert Shea –100,000 options, Girvan Patterson -100,000 options, Jerry Vickers - 100,000 options, Hon. John Buchanan - 100,000 options, Lynn Saunders – 50,000 options, and Jason Lee – 30,000..*
- (6) *Includes 2,524,676 Common Shares held by Targa Group Inc., a company controlled by Mr. Watson.*

**Profiles of Directors and Officers**

*Set out below are profiles of the directors and officers of the Issuer including particulars of their principal occupations for the past five years:*

*WILLIAM DAVID WATSON, Chairman of the Board of Directors and Vice President, Mergers and Acquisitions. Mr. Watson was appointed Chairman of the Board of Directors of the Issuer on February 9, 2000 and Vice President, Mergers and Acquisitions, effective November 1, 1999. Since November 4, 1999, Mr. Watson has been acting as a special advisor to the Issuer. From October 1993 to November*

1999, Mr. Watson was special advisor to Targa Group Inc., a company founded in 1993 as a vehicle for acquiring troubled companies and turning them around with a primary interest in avionics and high technology. Mr. Watson is a graduate of Ryerson Polytechnical Institute.

*WILLIAM DAVID WATSON II, President, Chief Executive Officer and Director. Mr. Watson became President and Chief Executive Officer of the Issuer on November 4, 1999 and was appointed a director of the Issuer on February 9, 2000. From October 1993 to November 1999, Mr. Watson was President and Chief Executive Officer of Targa Group Inc. Prior to 1993, Mr. Watson was a tax specialist in public and private practice. Mr. Watson holds a Bachelor of Management Economics from the University of Guelph.*

*ROBERT E. SHEA, Director. Mr. Shea was appointed a director of the Issuer on May 1, 2000. Mr. Shea is currently, and for the past forty two years has been, Chairman of Shea Financial Group, a company engaged in the design and funding of executive compensation plans. He is also a director of Silex Ventures, a CBC company trading on the TSX Venture exchange, Highliner Foods, Inc., SolutionInc Technologies, Ltd., New England Canada Business Council, and American Manor Enterprises Inc.; and has served on numerous boards in the past.*

*GIRVAN L. PATTERSON, Director. Mr. Patterson was appointed a director of the Issuer in January 2000. In 1988, Mr. Patterson co-founded CANAI Inc. (which in 1991 became Plaintiff Systems Inc.) and from 1995 through 1999 was the Vice-President of International Sales, and served as the Corporate Secretary of the Company from 1988 to 2001. Mr. Patterson is currently Chief Operating Officer of Taransys Inc., a developer of gallium nitride semiconductors for environmentally beneficial power conversion. Prior to this, he was responsible for international marketing with Voxium Inc., a manufacturer of premium home theatre equipment. He serves on the board and audit committees of Intertainment Media Inc. (TSXV) and e-djuster Inc. Mr. Patterson was educated at Manchester and Aston University in the United Kingdom and holds a Chartered Engineer designation.*

*JERRY VICKERS, Director. Mr. Vickers continues to act as an independent finance/business consultant (providing services in finance, strategic planning, business development, organizational development, M&A, cash management, compliance/governance and certain senior management roles) to private and public companies since departing Desjardins Securities Inc. in May 2003. Based in Toronto, he was a Vice-President, Investment Banking, Technology Group for Desjardins Securities Inc., an indirect wholly owned subsidiary of Desjardins Mouvement, a financial services conglomerate, from January 2002 to April 2003. From August 1996 through to December 2001, Mr. Vickers was an independent finance/business consultant to private and public companies. He has been a director of private and public companies engaged in technology (software, hardware, internet based technologies) as well as the hospitality industry. He was a Vice-President in Corporate Finance at Groome Capital.com Inc. and Yorkton Securities Ltd. from July 1996 through to July 2000 specializing in new economy companies (i.e. software, hi-tech, telecom, biotech). From January 1990 to July 1996, he was the Director and a Manager of Company Listings at the Toronto Stock Exchange. From July 1985 to December 1989, he was a corporate lender at the CIBC and a senior analyst in Engineering Economics at Bell Canada. Mr. Vickers earned a Master of Arts Degree in Economics from the University of Toronto (1985) and a Bachelor of Arts (Honours) in Economics (summa cum laude) from McMaster University (1982).*

*Hon. John M. Buchanan, P.C., Q.C., Director. Mr. Buchanan was appointed to the Senate of Canada by the Rt. Hon. Brian Mulroney on September 12, 1990. Prior to being appointed Senator, Mr. Buchanan was elected as a Member of the Legislative Assembly in 1967, re-elected in 1970, 1974, 1978, 1981, 1984 and 1988. Senator Buchanan was elected as Premier of Nova Scotia in 1978. He was re-elected in 1981, 1984 and 1988 becoming the third Premier in the history of Nova Scotia to be elected to four consecutive terms and the fourth longest premier in Nova Scotia. Mr. Buchanan graduated from Mount Allison University in 1954 with a B.Sc Degree and Engineering Certificate. He graduated from Dalhousie University with a LL.B. in 1958 and practised law in Halifax. Mr. Buchanan was appointed Queens Council in 1972 and awarded Doctorates from Nova Scotia Technical College, Mount Allison University, St. Mary's University, St. Francis Xavier University and Universite Ste. Anne. On April 17, 1982, Senator Buchanan was made a member of Her Majesty's Privy Council and in 1979 received the Toastmasters International Communication and Leadership Award. Mr. Buchanan has been an executive member of the Canada-United States Interparliamentary Association for eight years. Mr Buchanan is*

also Chairman of the Canada-Sweden Parliamentary Association and an Executive Member of the Canada-Taiwan Association. He is married to the former Mavis Forsyth and they have five children.

*LYNN SAUNDERS, Vice President of Operations. Ms. Saunders became Vice President of Operations in November 1999. From May 1997 to November 1999, Ms. Saunders was Finance Manager of Hypernetics Ltd. Prior to 1999, Ms. Saunders held various financial positions with both Mitel Corporation and Boeing Canada Technology Ltd.*

*JASON LEE, Vice President of Business Development. Mr. Lee joined the Company as a Regional Sales representative in June, 2000 and was appointed Vice President of Business Development on January 16, 2002. From 1998 to 2000, he was a Sales Engineer for Zim Technologies International Inc. Prior to 1998, Mr. Lee was an IT consultant for various companies after studying Marketing and Computer Science at Durham College of Applied Arts and Technologies in Oshawa, Ontario. In January 2002, Mr. Lee received a scholarship for the "Excellence in Leadership" award by the Ottawa Centre for Research and Innovation (OCRI).*

*GARY JESSOP, Corporate Secretary. Mr. Jessop was appointed Corporate Secretary of the Company in 1999. Gary Jessop graduated from Carleton University in 1985 with a B. Comm and the University of Ottawa in 1990 with a LL.B. Gary was called to the bar of the Province of Ontario in 1992 and is a member of the Law Society of Upper Canada. Mr. Jessop joined the Ottawa office of Blake Cassels & Graydon LLP as an articling student in 1990, was hired as an associate in 1992 and became a partner in 1997.*

- 13.2 State the period or periods during which each director has served as a director and when his or her term of office will expire.

*See table in Section 13.1 above for periods during which each director has served as a director of the Issuer. All terms expire at the next annual meeting of the shareholders of the Issuer.*

- 13.3 State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.

*See table in Section 13.1 above.*

- 13.4 Disclose the board committees of the Issuer and identify the members of each committee.

*See table in Section 13.1 above.*

- 13.5 If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.

*See Section 13.1 above.*

- 13.6 If a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

Except as set out below, no director or officer of the Issuer or significant shareholder of the Issuer has been subject to a cease trade or similar order as described above:

(i) *Gary Jessop is the Corporate Secretary of ONE Signature Financial Corporation and Simplex Solutions Inc., affiliates of each other. The Ontario Securities Commission issued an issuer cease trade order (ICTO) against both companies on February 9, 2007 for ONE Signature Financial Corporation and July 16, 2007 for Simplex Solutions Inc. as a result of the inability of each of the companies to file their respective 2006 annual statements due to lack of resources for both companies. ONE Signature Financial Corporation has ceased operations. Simplex Solutions Inc. is in the process of seeking additional capital and intends to use such funds to bring itself up to date with respect to its financial statements and to apply to have the ICTO lifted. The ICTO's for both companies remain in effect.*

(ii) *Girvan L. Patterson was an officer of Northland Systems Training Inc. ("Northland") in January 2003 when Northland became subject to a cease trade order from the Ontario Securities commission, the Alberta Securities Commission, and the British Columbia Securities Commission for failure to file documents indicated within the required time period. The cease trade order remains in effect.*

- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

*The board of directors of Northland resigned on May 29, 2003. Northland was put into receivership in April of 2003, at which time Girvan L. Patterson was an officer of Northland. Subsequently, Northland sold all of its business to a third party and effectively ceased operations and was delisted from the TSX Venture Exchange..*

- 13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

*None.*

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

*None.*

- 13.8 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.

*None.*

- 13.9 Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.

*The Issuer's largest shareholder, Targa Group Inc., is controlled by William David Watson II, the President and Chief Executive Officer of the Issuer and by Nora Watson, the spouse of William David Watson, the Chairman and Vice President Mergers and Acquisitions of the Issuer.*

- 13.10 Management — In addition to the above provide the following information for each member of management:

- (a) state the individual's name, age, position and responsibilities with the Issuer and relevant educational background,

<i>Name</i>	<i>Date of Birth</i>	<i>Position</i>	<i>Responsibilities</i>	<i>Education</i>	<i>Status</i>	<i>Non-Competition / Non-disclosure Agreement</i>
<i>William David Watson</i>	<i>September 15, 1934</i>	<i>Chairman and VP Mergers and Acquisitions</i>	<i>Mergers and Acquisitions</i>	<i>Graduate of Ryerson Polytechnical Institute</i>	<i>Full time independent contractor</i>	<i>Yes</i>

<i>Name</i>	<i>Date of Birth</i>	<i>Position</i>	<i>Responsibilities</i>	<i>Education</i>	<i>Status</i>	<i>Non-Competition / Non-disclosure Agreement</i>
<i>William David Watson II</i>	<i>March 18, 1959</i>	<i>President and Chief Executive Officer</i>	<i>General supervision of the business of the Issuer</i>	<i>Bachelor of Management Economics from the University of Guelph</i>	<i>Full time employee</i>	<i>Yes</i>
<i>Lynn Saunders</i>	<i>March 2, 1962</i>	<i>Chief Financial Officer and VP, Operations</i>	<i>Finance, Administration, Investor Relations</i>	<i>Studied business &amp; finance @ Algonquin college</i>	<i>Full time employee</i>	<i>Yes</i>
<i>Jason Lee</i>	<i>December 10, 1971</i>	<i>VP, Business Development</i>	<i>Business Development</i>	<i>Studied Marketing and Computer Science at Durham College of Applied Arts and Technologies</i>	<i>Full time employee</i>	<i>Yes</i>
<i>Robert E. Shea</i>	<i>June 8, 1933</i>	<i>Director</i>	<i>Supervise the management of the business and affairs of the Issuer</i>	<i>BA in commerce at St Francis Xavier University, Nova Scotia</i>	<i>Not employee or independent contractor / &lt;5% of time spent on matters relating to Issuer</i>	<i>No</i>
<i>Girvan L. Patterson</i>	<i>October 31, 1945</i>	<i>Director</i>	<i>Supervise the management of the business and affairs of the Issuer</i>	<i>Educated at Manchester and Aston University in the United Kingdom and holds a Chartered Engineer designation.</i>	<i>Not employee or independent contractor / &lt;5% of time spent on matters relating to Issuer</i>	<i>No</i>

<i>Name</i>	<i>Date of Birth</i>	<i>Position</i>	<i>Responsibilities</i>	<i>Education</i>	<i>Status</i>	<i>Non-Competition / Non-disclosure Agreement</i>
<i>Jerry S. Vickers</i>	<i>September 8, 1958</i>	<i>Director</i>	<i>Supervise the management of the business and affairs of the Issuer</i>	<i>Master of Arts Degree in Economics from the University of Toronto (1985) and a Bachelor of Arts (Honours) in Economics (summa cum laude) from McMaster University (1982)</i>	<i>Not employee or independent contractor / &lt;5% of time spent on matters relating to Issuer</i>	<i>No</i>
<i>Gary Jessop</i>	<i>May 10, 1962</i>	<i>Corporate Secretary</i>	<i>Record keeping, delivery of notices, custodian of corporate records.</i>	<i>B. Comm Carleton University and LL.B. University of Ottawa</i>	<i>Not employee or independent contractor / &lt;5% of time spent on matters relating to Issuer</i>	<i>No</i>

- (b) state whether the individual works full time for the Issuer or what proportion of the individual's time will be devoted to the Issuer,

*See Section 13.10(a) above.*

- (c) state whether the individual is an employee or independent contractor of the Issuer,

*See Section 13.10(a) above.*

- (d) state the individual's principal occupations or employment during the five years prior to the date of the Listing Statement, disclosing with respect to each organization as of the time such occupation or employment was carried on:

- (i) its name and principal business;
- (ii) if applicable, that the organization was an affiliate of the Issuer;
- (iii) positions held by the individual; and
- (iv) whether it is still carrying on business, if known to the individual;

*See Section 13.1 for information relating to William David Watson, William David Watson II, Robert E. Shea, Girvan L. Patterson, Jerry S. Vickers and the Hon. John Buchanan, P.C.*

*Lynn Saunders and Jason Lee have each been employed by the Issuer for at least five years.*

*Gary Jessop is a partner with the law firm Blake, Cassels & Graydon LLP and has been with Blake, Cassels & Graydon LLP firm since 1990.*

- (e) describe the individual's experience in the Issuer's industry; and

*See Section 13.1 for information relating to William David Watson, William David Watson II, Robert E. Shea, Girvan L. Patterson, Jerry S. Vickers and the Hon. John Buchanan, P.C.*

*Prior to working for the Issuer, Lynn Saunders was Finance Manager of Hypernetics Limited from May 1997 to November 1999 and prior to 1997 Ms. Saunders held various finance positions with Mitel Corporation and Boeing Canada Technology Ltd.*

*Prior to working for the Issuer, Jason Lee was a sales engineer for Zim Technologies International Inc. from 1998 to 2000. Prior to 1998, Mr. Lee was an IT consultant for various companies.*

*Gary Jessop's experience is in the legal field and is not specifically related to the Issuer's industry although Mr. Jessop has been and continues to be legal counsel to many companies in the high technology sector and elsewhere.*

- (f) state whether the individual has entered into a non-competition or non-disclosure agreement with the Issuer.

*See Section 13.10(a) above.*

## 14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be listed:

### Issued Capital

	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully- diluted)</b>	<b>% of Issued (non- diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total outstanding (A)	12,522,143	13,461,773	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	6,164,876	7,104,506	49.2%	52.8%
Total Public Float (A-B)	6,352,067	6,357,267	50.8%	47.2%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	2,524,676	2,524,676	20.2%	18.8%
Total Tradeable Float (A-C)	9,997,467	10,937,097	19.8%	81.2%

## Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

### **Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	<u>110</u>	<u>3,346</u>
100 – 499 securities	<u>71</u>	<u>12,107</u>
500 – 999 securities	<u>8</u>	<u>5,253</u>
1,000 – 1,999 securities	<u>4</u>	<u>6118</u>
2,000 – 2,999 securities	<u>2</u>	<u>4342</u>
3,000 – 3,999 securities	<u>0</u>	<u>0</u>
4,000 – 4,999 securities	<u>1</u>	<u>4107</u>
5,000 or more securities	<u>4</u>	<u>41023</u>
	<u>200</u>	<u>76,096</u>

## Public Securityholders (Beneficial)

**Instruction:** Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

### **Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	<u>3670</u>	<u>148516</u>
100 – 499 securities	<u>4954</u>	<u>894611</u>
500 – 999 securities	<u>868</u>	<u>527612</u>
1,000 – 1,999 securities	<u>565</u>	<u>684,833</u>
2,000 – 2,999 securities	<u>222</u>	<u>495274</u>
3,000 – 3,999 securities	<u>78</u>	<u>253213</u>
4,000 – 4,999 securities	<u>59</u>	<u>253569</u>
5,000 or more securities	<u>165</u>	<u>2,827,607</u>
Unable to confirm	<u>-</u>	<u>195,936</u>
	<u>10,581</u>	<u>6,281,171</u>

Non-Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

**Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	4	3,898,176
	<u>4</u>	<u>3,898,176</u>

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
<i>Secured convertible debentures</i>	<i>\$147,760 principal amount</i>	<i>332,130 (excluding any common shares issuable pursuant to accruing interest)</i>

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

## 15. Executive Compensation

- 15.1 Attach a Statement of Executive Compensation from Form 40 of Regulation 1015 of the Revised Regulations of Ontario, 1990 or any successor instrument and describe any intention to make any material changes to that compensation.

The following table summarizes, for each of the three most recently completed fiscal years of the Issuer, information concerning the compensation earned by the Issuer's: (i) President and Chief Executive Officer; and (ii) Chairman and Vice President, Mergers and Acquisitions. No other executive officer of the Issuer earned \$150,000 or greater in salary and bonus during the fiscal year ended March 31, 2007.

Name and Principal Position	Fiscal Year <sup>(5)</sup>	Annual Compensation			Long-Term Compensation	All Other Compensation
		Salary	Bonus	Other Annual Compensation (1)	Awards Securities Under Options/SARs Granted (2)	
William David Watson II, President and Chief Executive Officer <sup>(5)</sup>	2008	\$200,000 <sup>(3)</sup>	nil	nil	nil	nil
	2007	\$200,000 <sup>(3)</sup>	nil	nil	nil	nil
	2006	\$200,000 <sup>(3)</sup>	nil	nil	nil	nil
William David Watson, Chairman and VP, Mergers and Acquisitions <sup>(5)</sup>	2008	\$150,000 <sup>(4)</sup>	nil	nil	nil	nil
	2007	\$150,000 <sup>(4)</sup>	nil	nil	nil	nil
	2006	\$150,000 <sup>(4)</sup>	nil	nil	nil	nil

- (1) Unless otherwise stated, perquisites and other benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for any of the noted executive officers.
- (2) All references are to options to acquire Common Shares outstanding at the end of each year.
- (3) Salary is annualized. During fiscal 2008, 2007 and 2006, Mr. Watson II's salary was \$200,000 per year. Most of Mr. Watson II's salary for fiscal 2008, 2007 and 2006 has been deferred. The deferred amounts will be paid once Issuer resources permit. Until paid, the deferred amounts accumulate interest at a rate of 2% per annum above the prime rate of interest charged by the Issuer's bankers, compounded monthly. The total amount of the deferred salary plus accumulated interest as at August 15, 2008 is \$993,605.
- (4) Fee is annualized. During fiscal 2008, 2007 and 2006, Mr. Watson's annual fee was \$150,000. Most of Mr. Watson's fees for fiscal 2008, 2007 and 2006 have been deferred. The deferred amounts will be paid once Issuer resources permit. Until paid, the deferred amounts accumulate interest at a rate of 2% per annum above the prime rate of interest charged by the Issuer's bankers, compounded monthly. The total amount of the deferred salary plus accumulated interest as at August 15, 2008 is \$887,735.

15.2 Exception — Despite Item 15.1, the disclosure required under Items V, VIII, IX and X of Form 40 may be omitted.

**16. Indebtedness of Directors and Executive Officers**

- 16.1 (1) Disclose in substantially the following tabular form all indebtedness (other than routine indebtedness), and the other details prescribed in paragraph (2), for each individual who is, or at any time during the most recently completed financial year of the Issuer was, a director or executive officer of the Issuer, and each associate of such an individual,
- (a) who is indebted to the Issuer or a subsidiary of the Issuer; or
  - (b) whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or a subsidiary of the Issuer.

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

Name and Principal Position (a)	Involvement of Issuer or Subsidiary (b)	Largest Amount Outstanding During [Last Completed Financial Year] (\$) (c)	Amount Outstanding as at [current date] (\$) (d)	Financially Assisted Securities Purchases During [Last Completed Financial Year] (#) (e)	Security for Indebtedness (f)
<i>None.</i>	<i>None.</i>	<i>None.</i>	<i>None.</i>	<i>None.</i>	<i>None.</i>

16.2 Include the following in the table required under paragraph 16.1:

- (a) The name of the borrower (column (a)).
- (b) If the borrower is a director or executive officer, the principal position of the borrower; if the borrower was, during the year, but no longer is a director or executive officer, include a statement to that effect; if the borrower is included as an associate of a director or executive officer, describe briefly the relationship of the borrower to any individual who is or, during the year, was a director or executive officer, name that individual and provide the information that would be required under this subparagraph for that individual if he or she was the borrower (column (a)).

- (c) Whether the Issuer or a subsidiary of the Issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding (column (b)).
  - (d) The largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year (column (c)).
  - (e) The aggregate amount of the indebtedness outstanding as at a specified date not more than 30 days before the date of Listing Statement (column (d)).
  - (f) If the indebtedness was incurred to purchase securities of the Issuer or of a subsidiary of the Issuer, separately for each class of securities the aggregate number of securities purchased during the last completed financial year with the financial assistance (column (e)).
  - (g) The security, if any, provided to the Issuer, a subsidiary of the Issuer or the other entity for the indebtedness (column (f)).
- 16.3 Disclose in the introduction to the table required under paragraph (1) the aggregate indebtedness of all officers, directors, employees, and former officers, directors and employees of the Issuer or a subsidiary of the Issuer outstanding as at a specified date not more than 30 days before the date of the Listing Statement, that is owed to
- (a) the Issuer or a subsidiary of the Issuer; or
  - (b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.
- 16.4 Disclose in a footnote to, or a narrative accompanying, the table required under paragraph (1)
- (a) the material terms of the indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including the term to maturity, rate of interest and any understanding, agreement or intention to limit recourse, and the nature of the transaction in which the indebtedness was incurred;
  - (b) any material adjustment or amendment made to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding; and
  - (c) the class of the securities purchased with financial assistance from the Issuer or held as security for the indebtedness and, if the class of securities is not publicly traded, all material terms of the securities.

## 17 Risk Factors

- 17.1 Describe the risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the Issuer, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the Issuer, environmental and health risks, reliance on key personnel, the arbitrary establishment of the offering price, regulatory constraints, economic or political conditions and financial history and any other matter that in the opinion of the Issuer would be most likely to influence the investor's decision to purchase, hold or sell the Issuer's securities. Risks should be disclosed in the order of their seriousness in the opinion of the Issuer.

*There are risks associated with the Issuer, including those set out below. The Issuer may face additional risks and uncertainties other than the factors set out below, including, risks and uncertainties that are unknown to the Issuer or risks and uncertainties that the Issuer now believes to be unimportant which could have a material adverse effect on the business of the Issuer. If any of the following risks actually occur, the business, financial condition or results of operations of the Issuer could be negatively affected.*

**Limited Operating History and Working Capital Deficiency.** *As of June 30, 2008, the Issuer had a post-Acquisition working capital deficiency of \$296,877. The Issuer has a limited operating history as a combined company and no history of earnings as a combined company. Prior to the Acquisition, the Issuer had limited success generating sufficient operating revenues to finance its day-to-day operations. There can be no assurance that the Issuer will ever achieve significant revenues or profitable operations. The Issuer has not paid any dividends on common shares and is unlikely to pay dividends in the foreseeable future.*

**Limited Financial Resources.** *The Issuer has and likely will continue to have limited financial resources. Additional financing may be required which, if available, may not be available on favourable terms or could serve to dilute existing equity. Lack of any necessary additional financing could impair the Issuer's future growth. Failure of the Issuer to obtain additional future financing could cause the Issuer to forfeit its interest in its product and reduce or terminate its operations.*

**Growth Related Risks.** *The Issuer may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. Any inability by the Issuer to deal with growth could have a material adverse impact on its business, operations and prospects.*

**Intellectual Property.** *The success of the Issuer will depend, in part, on the ability to protect its proprietary information relating to its wireless products, structured buildings and aviation products and related manufacturing equipment and to operate without infringing upon the proprietary rights of third parties. The products being developed by the Issuer are capable of being*

*duplicated or improved upon by competitors and accordingly, the Issuer may be vulnerable to competitors which develop competing products, whether independently or as a result of acquiring access to the Issuer's proprietary products or trade secrets. If this occurs, then the Issuer may incur legal costs in actions to protect its proprietary interests or to defend itself in suits brought by others against the Issuer pertaining to such matters.*

**Laws and Regulations.** *The construction and aviation industry in Canada and in the United States is subject to various national, regional and local laws and regulations governing taxes, labour, safety, protection of the environment and other matters. Amendments to current laws and regulations governing the operations and activities of companies such as the Issuer, or more stringent implementation thereof, could have an adverse impact on the Issuer. The Issuer intends to distribute its products and services through distributors in North America and other countries and as a result foreign laws should be considered as potential risk.*

**Licenses and Permits.** *The operations and products of the Issuer may require licenses and permits from various governmental authorities. There is no assurance that the Issuer will be able to obtain all necessary licenses and permits that may be required to successfully carry out sales of its products in those jurisdictions requiring such licenses and permits.*

**Environmental Risks and Other Regulatory Requirements.** *The current or future operations of the Issuer, including development activities and commencement of production will likely require permits from various federal and local authorities in such operations and will be governed by laws and regulations governing development, production, taxes, labour standards, occupational health, waste disposal, handling toxic substances, land use, environmental protection and other matters. There can be no assurance that all permits which the Issuer may require will be obtainable on reasonable terms or that such laws and regulations would not have an adverse affect.*

**Conflicts of Interest.** *Some of the directors of the Issuer are or may become directors and/or shareholders of other companies, and situations may arise in which there may be potential conflicts of interests. Any decisions made by any director of the Issuer in respect of a situation where there is such a conflict of interest will be made in accordance with his or her duty to act honestly, in good faith and in the best interests of the Issuer, after having disclosed his or her interest to the Issuer, and after giving consideration to, among other matters, the Issuer's objectives, working capital requirements and its ability to adequately finance such new opportunities.*

**Fluctuations in the value of foreign currencies could result in currency exchange losses.** *A portion of the Issuer's revenues and expenses will be denominated in United States dollars. Therefore, fluctuations in the Canadian dollar exchange rate will impact our results of operations and financial condition from period to period. In addition, such fluctuations affect the translation of our*

results for purposes of our consolidated financial statements. The Issuer's currency hedging activities (if any) may not be successful.

**Debts/Obligations of Hypernetics and Triodetic.** The completion of the Acquisition and the amalgamation resulted in the Issuer being responsible for the debts and obligations of Hypernetics and the Triodetic Group of Companies. If the ongoing business of Hypernetics and the Triodetic Group of Companies is not sufficient to generate funds to service the debts and obligations assumed, the Issuer may cease to carry on business.

**Reliance Key Personnel/Employees.** The Issuer's success is largely dependent upon the performance of key employees and the Issuer's ability to hire and retain highly skilled and qualified personnel. The Issuer will face competition for qualified personnel from numerous industry sources and there can be no assurance that it will be able to attract and retain qualified personnel on acceptable terms. The loss of service of any key personnel could have a materially adverse effect on its operations or financial condition.

**Management.** The Issuer's success is largely dependent on the performance of its management. The loss of services of any of these persons could have a materially adverse effect on its business and prospects. There is no assurance that the Issuer can maintain the services of its directors, officers or other qualified personnel required to operate its business.

**Business Integration.** Three distinct businesses are being integrated into the Issuer as a result of the completion of the Acquisition described in Section 3.2(1)(a). The Issuer has limited experience in managing business integration. There can be no assurance that such integration will occur seamlessly and additional costs, for professional services and otherwise, may need to be incurred on a going forward basis as a result of such business combination. A failure to successfully integrate the three business divisions could lead to inefficiencies in the Issuer's ongoing business and may eventually lead to a loss of business.

### **Competition and Market Factors**

The Issuer's legacy Plaintree product is an optical wireless communication system that faces strong competition from other optical wireless companies and more traditional radio frequency wireless competitors. An innovative development by any of the Issuer's competitors that provides equivalent or higher speeds of communication at lower prices or a severe downturn in the communications market could have a detrimental effect on the Issuer's sales of these products.

The Triodetic division has a number of competitors around the world for its construction business. In the event that one of these competitors located in an area of the world with low labour and environmental costs becomes aggressive in worldwide marketing and pricing, this could have a detrimental effect on the sales of this division. Additionally, a large portion of Triodetic's sales are

*currently mining and commercial construction. Continued declines in these markets will detrimentally affect sales.*

*The Hypernetics division has less competition for its products in the aviation market. However, its sales closely mirror the ups and downs of this market and the continuing struggles the commercial carriers are suffering may have a detrimental effect on this division's sales.*

#### *Liability*

*The Triodetic division is a design authority for its buildings and structures. The failure or other complication of one of these products could result in a legal action that could have a detrimental effect on the Company.*

*The Hypernetics division may occasionally be a design authority for its avionics products which may be used on commercial aircraft. The failure or other complication of one of these products, whether or not Hypernetics is the design authority, could result in a legal action that could have a detrimental effect on the Company.*

## **18. Promoters**

18.1 For a person or company that is, or has been within the two years immediately preceding the date of the Listing Statement, a promoter of the Issuer or of a subsidiary of the Issuer state

(a) the person or company's name;

*None.*

(b) the number and percentage of each class of voting securities and equity securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;

*Not applicable.*

(c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer; and

*Not applicable.*

(d) for an asset acquired within the two years before the date of the Listing Statement or thereafter, or to be acquired, by the Issuer or by a subsidiary of the Issuer from a promoter

- (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,

*Not applicable.*

- (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the Issuer, the promoter, or an associate or affiliate of the Issuer or of the promoter, and

*Not applicable.*

- (iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.

*Not applicable.*

18.2 If a promoter or past promoter referred to in paragraph (1) has been a director, officer or promoter of any person or company during the 10 years ending on the date of Listing Statement, that

- (a) was the subject of a cease trade or similar order, or an order that denied the person or company access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

*Not applicable.*

- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

*Not applicable.*

18.3 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter or past promoter referred to in paragraph (1) has

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

*Not applicable.*

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

*Not applicable.*

- 18.4 If a promoter or past promoter referred to in paragraph (1), or a personal holding company of such promoter, has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.

*Not applicable.*

## **19. Legal Proceedings**

- 19.1 Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

*None.*

## **20. Interest of Management and Others in Material Transactions**

- 20.1 Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:

- (a) any director or executive officer of the Issuer.

### *April 1, 2008 Acquisition*

*The Acquisition described in Section 3.2(1)(a) in which William David Watson II, the President and Chief Executive Officer of the Issuer was involved and the spouse of William David Watson, the Chairman and Vice President, Mergers and Acquisitions was involved.*

### *April 1, 2008 Credit Facility – Targa Group Inc.*

*On the completion of the Acquisition, Targa Group Inc., the Issuer's largest shareholder and controlled by William David Watson II, the President and Chief Executive Officer of the Issuer and the spouse of William David Watson, the*

*Chairman and Vice President, Mergers and Acquisitions of the Issuer provided to the Issuer a credit facility of up to \$2.8 million, consisting of (a) a demand loan of \$1.8 million; and (b) a revolving \$1 million credit line. All amounts advanced to the Issuer are payable on demand and bear interest at a rate per annum equal to 2% above the prime lending rate of the Issuer's banker as from time to time determined. The credit facility is secured by a security interest granted over the assets of the Issuer. \$1.5 million of the \$1.8 demand loan was used to pay to William David Watson II and to Nora Watson the cash portion of the purchase price for the Triodetic shares in connection with the Acquisition.*

*April 1, 2008 Demand Loan – Targa Group Inc.*

*Demand loan between the Issuer and Targa Group Inc. in the amount of \$382,483.92 bearing interest at a rate per annum equal to the interest rate designated by the lender's bankers from time to time as its prime lending rate plus two percent (2%).*

*April 1, 2008 Demand Loan – Tidal Quality Management Corporation*

*Demand loan between the Issuer and Tidal Quality Management Corporation, a wholly-owned subsidiary of Targa Group Inc., in the amount of \$184,658 bearing interest at a rate per annum equal to the interest rate designated by the lender's bankers from time to time as its prime lending rate plus two percent (2%).*

*Management Services Revenue*

*Management services revenue (\$2,014,500 in 2007 and \$999,350 in 2008) has been earned by the Issuer in each of the last three years before the date of this Listing Statement. The revenue was earned by providing and charging for the services of certain Issuer management under an arrangement with a company controlled by a significant shareholder. These services are provided as requested by the related party and the arrangement is cancellable at any time. There is no assurance that the Company will continue to earn this revenue going forward.*

*Salary deferrals by Senior Officers*

*As of April 1, 2002, the Issuer's senior officers have agreed to defer payment of a portion of consulting fees and salaries payable. At March 31, 2008, these deferred fees and salaries to senior officers of the Issuer amounted to \$1,436,847, plus interest charges of \$310,243 for a total payable of \$1,747,090.*

*2005 Loan*

*In August 2005, the Issuer obtained a loan ("**Loan 2005**") from an affiliate of Targa Group Inc. of \$425,000. The Loan 2005 is payable on demand and earns interest at a rate of 10% per annum. Additional amounts were provided on the Loan 2005 during the period ending March 31, 2006. The Loan 2005 is secured by an already existing general security agreement over Issuer's assets. As of March 31, 2008, \$1,719,728 had been advanced with interest accrued to date of \$266,732 for a total payable of \$1,986,460.*

*2005 Secured Convertible Debentures*

*On June 30 2005, the Issuer completed a private placement of secured convertible debentures having a principal value of \$36,000 to an affiliate of Targa Group Inc., the Issuer's largest shareholder and a related party. None of the amounts outstanding under the secured convertible debenture have been paid by the Issuer.*

2005 Loan

*On June 30, 2005, Targa Group Inc. also completed an unsecured loan to the Issuer for \$73,000 having terms substantially similar to the terms of convertible debentures with the exception that there are no conversion rights attached to the loan.*

2005 Secured Convertible Debentures

*Robert E. Shea, a director of the Issuer, is personally and through a holding company the holder of outstanding secured convertible debentures of the Issuer in the amount of \$147,760.*

Leased facilities

*Until March 31, 2003, the Issuer leased facilities from a company controlled by Targa Group Inc. Lease arrears including interest owing to this related party amounted to \$319,836 as at March 31, 2008. In 2003, this related party entered into a forbearance agreement with the Issuer whereby the Issuer agreed to repay the amounts owing and the related party was provided with a security interest in the form of a mortgage on the property owned by the Issuer. The forbearance agreement is now in default and the amounts owing are due and payable. This amount is still outstanding.*

- (b) a security holder disclosed in the Listing Statement as a principal shareholder.

*See disclosure in Section 20.1(a) above with respect to Targa Group Inc.*

- (c) an associate or affiliate of any of the persons or companies referred to in paragraphs 1 or 2.

*None other than as disclosed in this Section 20.1.*

## **21. Auditors, Transfer Agents and Registrars**

- 21.1 State the name and address of the auditor of the Issuer.

*Deloitte & Touche LLP  
800-100 Queen Street  
Ottawa, Ontario  
K1P 5T8*

- 21.2 State the names of the Issuer's transfer agent(s) and registrar(s) and the location (by municipalities) of the register(s) of transfers of that class of shares.

Computershare Trust Company of Canada  
100 University Avenue, 9<sup>th</sup> Floor, North Tower  
Toronto, Ontario  
M5J 2Y1

## **22. Material Contracts**

- 22.1 Give particulars of every material contract, other than contracts entered into in the ordinary course of business that was entered into within the two years before the date of Listing Statement by the Issuer or a subsidiary of the Issuer.

*Purchase agreement dated January 21, 2008 relating to the Acquisition described in Section 3.2(1)(a) above between William David Watson II, Nora Watson, the Issuer and Targa Electronics Systems Inc. in connection with the purchase by the Issuer of all of the shares of Hypernetics Limited and 4439112 Canada Inc.*

*Credit facility agreement (\$2.8 million) dated April 1, 2008 described in Section 20.1 above between the Issuer (as borrower) and Targa Group Inc. (as lender).*

*Demand loan (\$382,483.92) dated April 1, 2008 described in Section 20.1 above between the Issuer (as borrower) and Targa Group Inc. (as lender).*

*Demand loan (\$184,658) dated April 1, 2008 described in Section 20.1 above between the Issuer (as borrower) and Tidal Quality Management Inc. (as lender).*

- 22.2 If applicable, attach a copy of any co-tenancy, unitholders' or limited partnership agreement.

*Not applicable.*

## **23 Interest of Experts**

- 23.1 Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.

*None.*

- 23.2 Disclose the beneficial ownership, direct or indirect, by a person or company referred to in Item 23.1 of any securities of the issuer or any Related Person of the issuer.

*Not applicable.*

- 23.3 For the purpose of Item 23.2, if the ownership is less than one per cent, a general statement to that effect shall be sufficient.

*Not applicable.*

- 23.4 If a person, or a director, officer or employee of a person or company referred to in Item 23.1 is or is expected to be elected, appointed or employed as a director, officer or employee of the issuer or of any associate or affiliate of the issuer, disclose the fact or expectation.

*Not applicable.*

## **24. Other Material Facts**

- 24.1 Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

*None.*

## **25. Financial Statements**

- 25.1 Provide the following audited financial statement for the Issuer:

- (a) Copies of all financial statements including the auditor's reports required to be prepared and filed under applicable securities legislation for the preceding three years as if the issuer were subject to such law; and
- (b) a copy of financial statements for any completed interim period of the current fiscal year.

*A copy of the financial statements of the Issuer for the fiscal years ended March 31, 2008, 2007 and 2006 are attached as Schedules B, C, and D respectively. A copy of the interim financial statements of the Issuer for the three month period ended June 30, 2008 is attached as Schedule E.*

- 25.2 For Issuers re-qualifying for listing following a fundamental change provide

- (a) the information required in Items 5.1 to 5.3 for the target;
- (b) financial statement for the target prepared in accordance with the requirements of Parts 4,5,6,7 8 and 9 of OSC Rule 41-501 as if the target were the Issuer;
- (c) pro-forma consolidated financial statements for the New Issuer giving effect to the transaction for:

- (i) the last full fiscal year of the Issuer and
- (ii) any completed interim period of the current fiscal year.

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Plaintree Systems Inc., hereby applies for the listing of the above mentioned securities on CNQ. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Ottawa, Ontario

this 22<sup>nd</sup> day of September, 2008.

s/“William David Watson II”

William David Watson II, Chief  
Executive Officer

s./“Lynn Saunders”

Lynn Saunders, Chief Financial Officer

Not Applicable

Promoter (if applicable)

s/“William David Watson”

William David Watson, Director

s/“Gerald S. Vickers”

Gerald S. Vickers, Director