SCHEDULE A TO LISTING STATEMENT

PLAINTREE SYSTEMS INC.

For the years ended March 31, 2008, 2007 and 2006

Date – July 18, 2008

The following discussion and analysis is the responsibility of management and has been reviewed by the Audit Committee of Plaintree Systems Inc. ("Plaintree" or the "Company") and approved by the Board of Directors of Plaintree. The Board of Directors carries out its responsibilities for the financial statements and management's discussion and analysis ("MD&A") principally through the Audit Committee, which is comprised exclusively of independent directors. The Chief Executive Officer and Chief Financial Officer have both certified that they have reviewed the financial statements and this MD&A ("the Filings"). Based on their knowledge, the Filings do not contain any untrue fact or omit any material fact and present fairly Plaintree's financial position, results of operations and cash flows. Plaintree's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed this MD&A and the accompanying financial statements.

The following discussion of the financial condition, changes in financial condition and results of operations of Plaintree for the years ended March 31, 2008, 2007 and 2006 should be read in conjunction with the audited Consolidated Financial Statements and Notes of Plaintree for the year ended March 31, 2008 ("Fiscal 2008 Statements"). Historical results of operations, percentage relationships and any trends that may be inferred therefrom are not necessarily indicative of the operating results of any future period. All amounts are in Canadian dollars, unless otherwise stated, and in accordance with Canadian generally accepted accounting principles ("GAAP").

Caution Regarding Forward Looking Information

This MD&A of the Company contains certain statements that, to the extent not based on historical events, are forward-looking statements based on certain assumptions and reflect Plaintree's current expectations. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions, and statements regarding growth strategy and future-oriented project revenue, costs and expenditures. Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. A variety of inherent risks, uncertainties and factors, many of which are beyond Plaintree's control, affect the operations, performance and results of Plaintree and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include the impact or unanticipated impact of: companies evaluating Plaintree's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the jurisdictions where Plaintree operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the free space optical industry; technological change; currency value fluctuation; general economic conditions worldwide, including in China; Plaintree's success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels. This list is not exhaustive of the factors that may affect any of Plaintree's forward-looking statements. Plaintree undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise. Readers are cautioned not to put undue reliance on forward-looking statements. Readers should also carefully review the risks concerning the business of the Company and the industries in which it operates generally described in the documents filed from time to time with Canadian securities regulatory authorities and the United States Securities and Exchange Commission (SEC).

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

Overview

Located in Arnprior, Ontario, Plaintree develops and manufactures the WAVEBRIDGE series of free space optical wireless links using Class 1, eye-safe light emitting diode technology providing high-speed network connections for cable companies, internet service providers, traditional telco's, global system for mobile or cellular operators, airports and campus networks. Acting as a replacement for cable, fiber or radio frequency systems, the WAVEBRIDGE links offer broadband access with no spectrum interference problems, and same day installation for rapid network deployment.

Plaintree generated additional revenue during the year by providing management consulting services to related parties. The Company has also earned income from its investment in a general partnership. The partnership arrangement was intended to provide Plaintree with income distributed from the partnership's net earnings subject to predetermined maximum amounts distributed. Plaintree has received its maximum aggregate net distribution of $1,400,000 and it no longer has any right to future distributions from the partnership.

On April 1, 2008 subsequent to its fiscal 2008 year end, the Company completed an acquisition (the "Acquisition") of all of the issued and outstanding share capital of (i) Hypernetics Limited ("Hypernetics"); and (ii) 4439112 Canada Inc., which owned all of the share capital of Triodetic Holdings Inc. and other subsidiaries, including Triodetic Building Products Inc. (the "Triodetic Group of Companies").

Hypernetics was established in 1972 and was a manufacturer of avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids, high purity valves and permanent magnet alternators. The Triodetic Group of Companies, with over 40 years of experience, was a design/build manufacturer of steel, aluminum and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings.

The total purchase price of $20 million for both Hypernetics and 4439112 Canada Inc. was paid by the Company by the combination of $1,500,000 cash, the issuance of 35,000,000 pre-consolidation common shares of the Company and the issuance of 18,325 class A preferred shares of the Company. Following the Acquisition, Hypernetics and 4439112 Canada Inc., including all wholly-owned subsidiaries, except for their US incorporated subsidiaries, were amalgamated into Plaintree. The businesses of Hypernetics and the Triodetic Group of Companies are now being operated as separate divisions of Plaintree.

Concurrent with the Acquisition, Targa Group Inc., a company controlled by William David Watson II and Nora Watson and Plaintree's largest shareholder, provided a credit facility of up to $2.8 million to Plaintree, consisting of (a) a demand loan of $1.8 million; and (b) a revolving $1 million credit line. All amounts advanced to Plaintree are payable on demand and bear interest at a rate per annum equal to 2% above the prime lending rate of the Company's banker as from time to time determined. The credit facility is secured by a security interest granted over the assets of Plaintree. $1.5 million of the $1.8 demand loan was used to pay the cash portion of the purchase price for the shares of the Triodetic Group of Companies to William David Watson II and Nora Watson.

In addition to the Acquisition and subsequent to its fiscal 2008 year end, Plaintree also:

(a) created "Class A Preferred Shares" to be issued as consideration in the Acquisition. The Class A Preferred Shares are non-voting, have a redemption value of $1,000 per share, are entitled to cumulative dividends of 8% per year, are redeemable at any time at the option of Plaintree and have liquidation preference of the redemption value plus cumulative dividends in priority to the common shares;

(b) consolidated the outstanding common shares of the Company on a 10 pre-consolidation shares for 1 post-consolidation share basis; and

(c) deleted an old class of preferred shares no longer being used by the Company.

The Company's common shares are quoted on the OTCBB in the United States.

Selected Financial Information

The Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with Canadian GAAP, which also conform in all material respects with accounting principles generally accepted in the United States, except as disclosed in notes 16 & 18 to the Fiscal 2008 Statements. The Fiscal 2008 Statements do not include the accounts of Hypernetics or the Triodetic Group of Companies because the Acquisition occurred subsequent to the periods presented in the Fiscal 2008 Statements.

As stated in Note 1, the Fiscal 2008 Statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, there is substantial doubt about the Company's ability to continue as a going concern because of the Company's history of losses and an accumulated deficit of $100,192,811 as at March 31, 2008. The Company's continued existence is dependent upon the success of the Hypernetics and the Triodetic business divisions and its ability to raise additional capital, to increase sales and become profitable and the continued availability of the demand loan and revolving credit from Targa Group Inc. until the Company is able to accumulate sufficient capital from its operations.

The Company believes that sales-related efforts of the amalgamated Company will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurances that the Company will achieve such results. The Fiscal 2008 Statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

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

The following table sets forth selected financial information from the Company's Fiscal 2008 Statements:

Statement of Operations Data
($000s, except per share data)

	Fiscal Years ended March 31,		
	2008	**2007**	**2006**
Revenue	$ 1,290	$ 2,163	$ 1,691
Operating income (loss)	(426)	729	(585)
Net income (loss)	70	970	(330)
Basic and diluted loss per share	$ 0.00	$ 0.01	$ 0.00

Balance Sheet Data
($000s)

	As at March 31		
	2008	**2007**	**2006**
Total assets	$ 5,405	$ 5,912	$ 7,543
Total liabilities	6,753	7,330	9,933
Long-term liabilities	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil

Buhler Partnership Investment

In July 2003, the Company acquired a 49% interest in a general manufacturing partnership formally operating as Buhler Manufacturing ("Partnership") for $20,000,000. The Company obtained a line of credit (bank loan) of $20,300,000 to finance the acquisition and restructuring completed at the time. The investment by Plaintree in the Partnership was completed to provide Plaintree with a portion of the cash distributions expected to be received from the Partnership, net of repayment of the bank loan principal and interest and other Partnership related expenses. Plaintree's interest in the Partnership was limited to receiving its proportionate gross distributions from the income distributed by the Partnership to a maximum aggregate amount of approximately $21,610,000 and the Partnership has now distributed to Plaintree this amount. Plaintree has now effectively ceased to be a partner and is no longer entitled to any further distributions nor is it any longer subject to any obligations as a partner. In addition, the bank loan and all related expenses have been fully satisfied.

During the year ended March 31, 2008, the investment in the Partnership was reduced by $1,700,000. A total of $2,000,000 of distributions was received in the year ended March 31, 2008 and the investment was reduced to zero with the remaining $300,000 recorded as Partnership income as the remaining $2,000,000 outstanding on the loan was satisfied by the Partnership. Bank loan interest of $8,415 was also incurred and satisfied by the Partnership.

See "Partnership Income, Other partnership related expenses and Bank loan interest" for further information.

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

Results of Operations

($000s, except per share and % amounts)	Fiscal Year			Change from Fiscal	
	2008	2007	2006	2007 to 2008	2006 to 2007
Management services revenue – related party	$ 999	$ 2,014	$ 1,546	$(1,015)	$ 468
Product and service revenue	289	148	146	141	2
Total revenue	1,290	2,162	1,692	(872)	470
Cost of revenue	403	701	519	(298)	182
Gross margin	887	1,461	1,173	(574)	288
	68.8%	67.6%	69.3%	1.2%	(1.7)%
Operating expenses:					
Sales & marketing	394	59	569	335	(510)
Finance & administration	556	182	345	374	(163)
Research & development	263	164	324	99	(160)
Interest and accretion	100	327	520	(227)	(193)
	1,313	732	1,758	581	(1026)
Income (Loss) from operations	(426)	729	(585)	(1,155)	1,314
Gain on sale of investments	55	-	-	55	55
Partnership income	308	517	602	(209)	(85)
Other partnership expenses	-	(60)	(84)	60	24
Bank loan interest	(8)	(215)	(272)	206	57
Gain/(loss) on disposal of assets	141	(1)	9	142	(10)
Net income (loss)	$ 70	$ 970	$ (330)	$ (900)	$ 1,300
Basic and diluted income (loss) per share	$ 0.00	$ 0.01	$ 0.00		

Revenues

Management services revenue from related parties

Management services revenue was earned by providing and charging for the services of certain Plaintree management under an arrangement with a company owned by a significant shareholder of Plaintree. Management services revenue decreased from $2,014,500 in 2007 to $999,350 in 2008. These services are provided as requested by the related party and the arrangement is cancelable at any time. There is no assurance that the Company will continue to earn this revenue going forward.

Product and service revenue

Total product and service revenue for fiscal 2008 was $290,351 compared to $148,296 in fiscal 2007 and $145,584 in fiscal 2006. Product and service revenue increased from fiscal 2007 to fiscal 2008 and remained relatively constant between fiscal 2007 and 2006. Continued weak demand for telecommunications and wireless products has resulted in revenues being below expectations.

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

Gross Margin

Total gross margin from management services revenue, from related parties, and product and service revenue for fiscal 2008 was $887,059 or 68.8% compared to $1,461,504 or 67.6% in fiscal 2007 and 1,172,502 or 69.3% in fiscal 2006. The gross margin for 2008 consists of a margin on management services to related parties of $713,983 or 71.4% of management services revenue and a margin on product and services revenue of $173,076 or 59.6% of sales. The gross margin on management services revenue consists of revenues earned less direct employee salaries and benefits. This margin for related party management services has remained consistent and is not expected to change significantly.

Gross margins related to product sales, not including write-offs, in the fiscal 2006-2008 periods have been relatively constant around 60%. However, the margins have been reduced by additional write-offs of $22,011, $64,116 and $3,812 incurred in each of fiscal 2008, 2007 and 2006.

Operating Expenses

Sales and marketing expenses

Sales and marketing expenses were $393,835, $59,463, and $569,277 for fiscal 2008, 2007 and 2006, respectively. These expenses consisted primarily of personnel and related costs associated with the Company's sales and marketing departments, which include sales commissions, advertising, travel, trade shows and other promotional activities.

The fluctuation in sales and marketing expenses mainly relates to costs that have been allocated to the cost of services for employee costs incurred that are attributable to management services revenue charged to related parties. Additionally, measures were taken in the second half of fiscal 2006 to reduce costs through headcount and salary reductions. These measures affected the second half of fiscal 2006 and all of 2007 and 2008.

Finance and administration expenses

Finance and administrative expenses were $556,241, $181,735, and $343,521 in fiscal 2008, 2007 and 2006, respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which include financial staff, legal and audit activities as well as the amortization of capital assets.

Finance and administrative expenses as a total increased by $374,506 during fiscal 2008 compared to fiscal 2007 and decreased in fiscal 2007 by $161,786 compared to fiscal 2006. The fluctuations in finance and administration expenses from 2006 to 2007 and from 2007 to 2008 relate to costs that have been allocated to the cost of services related to employee costs incurred that are attributable to management services revenue charged to related parties. These charges were higher in fiscal 2007.

Research and development expenses

Research and development expenses were $262,614, $164,214, and $324,488 in fiscal 2008, 2007 and 2006, respectively. Research and development expenditures consist primarily of software and hardware engineering, personnel expenses, subcontracted research and development costs and costs associated with equipment and facilities.

The increase in research and development expense from fiscal 2007 to fiscal 2008 relates to utilization of available resources from manufacturing to development efforts.

Interest and accretion

Interest and accretion expenses consist of amortization of the discount on the debt portion of convertible debentures plus interest expense. Interest expense mainly relates to interest incurred on related party debt and lease arrears.

Amortization of discount on the convertible debentures that resulted from the fair value assigned to the equity component of convertible debentures was $7,384 during 2008, $143,059 during 2007, and $373,145 during 2006 (see Note 7 to the Fiscal 2008 Statements). The amortization of discount on the convertible debentures has gradually decreased as the convertible debentures reached maturity and ceased altogether in fiscal 2008 as all the convertible debentures have reached maturity. Interest expense was $92,837, $183,847, and $147,137 in fiscal 2008, 2007 and 2006, respectively. Interest expense has decreased as the loans from Hypernetics and the Triodetic Group of Companies (related to management fees) accrue interest earned offsetting accrued interest expense on matured convertible debentures and other related party loans.

Other income (loss)

Other income (loss) reflected a gain of $141,188 in fiscal 2008, a loss of $1,340 in fiscal 2007 and a gain of $9,000 in fiscal 2006 resulting from the sale of Company assets.

Partnership income, other partnership related expenses and Bank loan interest

In fiscal 2008, the Company recorded Partnership income allocations of $308,415 (2007 - $516,577, 2006 - $602,130). Also recorded was bank loan interest of $8,415 (2007 - $214,994, 2006 - $272,290) and other Partnership related expenses of $nil (2007 - $59,677, 2006 - $83,785). In fiscal 2008, the Company ceased to be a partner and will receive no further income and incur no further expense related to the Partnership. See "Buhler Partnership Investment" for further information.

Net Loss

The net income for fiscal 2008 was $70,453 or $0.00 per share compared to net income for fiscal 2007 of $969,752 or $0.01 per share and compared to a net loss for fiscal 2006 of $330,011 or $0.00 per share. The shift to net income in 2007 and 2008 from a net loss in 2006 relates to the management services revenue charged to related parties and cost reduction measures. The decline in net income from management consulting fees in 2008 from 2007 was primarily due to management's concentration on the subsequent acquisitions of Hypernetics and the Triodetic Group of Companies. Added legal and accounting fees associated with the due diligence also contributed to the overall lower net income.

Quarterly Results

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

The following table sets out selected unaudited consolidated financial information for each quarter in fiscal 2008 and fiscal 2007:

Quarters ended
(unaudited, in $000s except per share)

	Fiscal 2008				Fiscal 2007			
	Jun 30 2007	Sept 30 2007	Dec 31 2007	Mar 31 2008	Jun 30 2006	Sept 30 2006	Dec 31 2006	Mar 31 2007
Revenue	$573	$136	$95	$486	$540	$528	$556	$539
Income (Loss) from operations	243	(315)	(332)	(22)	138	221	260	110
Net income (loss)	543	(114)	(332)	(27)	147	275	337	211
Net income (loss) per share-basic and diluted	$0.01	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Fourth quarter of fiscal 2006

During the fourth quarter of fiscal 2007, revenue was approximately $486,000 and the net loss was approximately $27,000. Income/(loss) from operations and net income/(loss) for the each of the quarters in fiscal 2008 varied based on management services charged to related parties. These services are provided and charged as needed by the related parties. These fees have effectively ceased subsequent to the Acquisition described in the Overview Section.

Liquidity and Capital Resources

($000s)	Fiscal Year		Change from Fiscal
	2008	**2007**	2007 to 2008
Cash	**$ 42**	**$ 35**	$ 7
Working Capital	**(1,445)**	**(3,282)**	1,837
Net cash provided by (used in):			
Operating activities	**(1,384)**	**(933)**	(451)
Investing activities	**358**	**(73)**	431
Financing activities	**1033**	**1,086**	(53)

Cash

As at March 31, 2008, the Company held $41,949 in cash, an increase of $7,057 from March 31, 2007.

Working Capital

Working capital represents current assets less current liabilities. As at March 31, 2008, the Company had a working capital deficit of $1,444,605 compared to a working capital deficit of $3,281,562 at March 31, 2007. The decrease in the working capital deficit was primarily a result of the reduction in the bank loan by $2,000,000. The most significant portion of the working capital deficiency of $3,281,562 as at March 31, 2007 related to the bank loan balance of $2,000,000 obtained to invest in the Partnership.

Cash used in Operating activities
Cash used in operating activities for fiscal 2008 was $1,384,325 representing an increase of approximately $451,314 from the $933,011 in fiscal 2007 which was relatively constant from $1,031,930 in fiscal 2006. The increased use of cash in operating activities mainly relates to the accumulation of related party receivables offset by the net income in 2008 and 2007 and the decreased loss in 2006. Also observed in 2008 was non-cash Partnership income realized upon satisfaction of the bank loan outstanding.

Cash provided by (used in) Investing activities
Cash provided by investing activities for fiscal 2008 of $358,038 relates to the sale of the Company's land and building, proceeds from investment in partnership and other investments offset by the purchase of assets totaling approximately $99,000. In fiscal 2007, cash used in investing activities of $73,000 relates to the purchase of capital assets and an increase in the amount due from partnership, compared to cash provided of $9,000 for fiscal 2006 resulting from the sale of capital assets.

Cash provided by Financing activities
Cash provided by financing activities for fiscal 2008 was $ 1,033,344 compared to cash provided by financing activities of $1,086,426 of the prior fiscal year and $944,067 in fiscal 2006. Cash provided by financing activities mainly relate to proceeds from related parties, including $365,000 of convertible debentures issued in fiscal 2006.

Outlook

The Company's legacy products are not currently producing sufficient revenue to sustain the continuing operations of the Company. The Company has been earning management services revenue from related parties and earning income from its investment in the Partnership to mitigate its losses and provide capital to continue operations. The requisition of additional management services is at the discretion of the related party with no minimum commitment and the services, and related income, may, are expected to, cease at any time. Additionally, the Partnership income has reached its predetermined maximum distributions and the Company's rights and obligations to the Partnership relationship has now ceased.

The Company's total working capital deficit of approximately $1.35 million at March 31, 2008 and the Company's ongoing operations will need to be funded through additional capital in the near term.

As described in the Overview section of this MD&A, the Company completed the Acquisition of Hypernetics and 4439112 Canada Inc.

The total purchase price of $20 million for both Hypernetics and 4439112 Canada Inc. was paid by the Company by the combination of $1,500,000 cash; the issuance of 35,000,000 common shares of the Company and the issuance of 18,325 class A preferred shares of the Company. As a result of the Acquisition, Hypernetics and 4439112 Canada Inc., including all wholly-owned subsidiaries, except for their US incorporated subsidiaries, were amalgamated into Plaintree. Following the completion of the amalgamation, the businesses of Hypernetics and the Triodetic Group of Companies have been operated as separate divisions of Plaintree.

Concurrent with the Acquisition, Targa Group Inc., a company controlled by William David Watson II and Nora Watson and Plaintree's largest shareholder, provided a credit facility of up to $2.8 million to Plaintree, consisting of (a) a demand loan of $1.8 million; and (b) a revolving $1 million credit line. All amounts advanced to Plaintree are payable on demand and bear interest at a rate per annum equal to 2% above the prime lending rate of the Company's banker as from time to time determined. The credit facility is secured by a security interest granted over the assets of Plaintree. $1.5 million of the $1.8 demand loan was used to pay to William David Watson II and Nora Watson the cash portion of the purchase price for the shares of the Triodetic Group of Companies.

There can be no assurances that the financing described above will continue to be available or that the Company will achieve the operating results required to continue as a going concern. If these events do not occur, the Company may cease operations.

Related Party Transactions

Acquisitions

As described in the Overview section of this MD&A, the Company completed the Acquisition of Hypernetics and 4439112 Canada Inc.

Prior to the Acquisitions, Hypernetics and the Triodetic Group of Companies were both controlled by William David Watson II and Nora Watson. William David Watson II is the President and Chief Executive Officer of the Company and a director of the Company. Nora Watson is the spouse of William David Watson, the Chairman and VP Mergers and Acquisitions of the Company. William David Watson II and Nora Watson held directly and indirectly 27.98% of the issued and outstanding common shares of Plaintree (38.1% on a fully-diluted basis).

As a result of these relationships, the Acquisition was considered to be a "related party transaction" within the meaning of Rule 61-501 under the Ontario Securities Act which required obtaining the majority of the minority shareholder approval.

Concurrently with the completion of the Acquisition, Targa Group Inc., a company controlled by William David Watson II and Nora Watson and Plaintree's largest shareholder, provided a credit facility of up to $2.8 million to Plaintree, consisting of (a) a demand loan of $1.8 million; and (b) a revolving $1 million credit line. All amounts advanced to Plaintree are payable on demand and bear interest at a rate per annum equal to 2% above the prime lending rate of the Company's banker as from time to time determined. The credit facility is secured by a security interest granted over the assets of Plaintree. $1.5 million of the $1.8 demand loan was used to pay William David Watson II and Nora Watson the cash portion of the purchase price for the shares of the Triodetic Group of Companies.

Due to Related Parties - Convertible Debentures

The debentures are convertible into common shares of the Company at the holder's option at any time. They become due and payable two years from the date of issue at which point interest will begin to accrue at 10% on any unpaid balances. Debentures may be repaid at any time by the Company with 30 days notice subject to the holders' right to convert within that time period. All of the Company's assets were pledged as security for these convertible debentures under an already existing general security agreement.

All of the convertible debentures are held by related parties including Targa Group Inc. or a subsidiary of Targa Group Inc. and an independent director of the Company and a company controlled by that director.

Convertible debentures due to related parties outstanding as at March 31, 2008 are as follows:

Face Value	Convertible Debt Balance as at March 31, 2007	Accretion of Debt Discount in fiscal 2007	Accrued Interest	Convertible Debt Balance as at March 31, 2008
$ 900,000	$1,015,951	$ -	$ 90,000	$1,105,951
220,000	222.918	-	22,000	244,918
220,000	219,172	828	21,193	241,193
145,000	138,445	6,555	12,083	157,083
$ 1,485,000	$1,596,486	$ 7,383	$ 145,276	$1,749,145

Related Party Transactions - Other

Due from related parties consists of accounts receivable for management consulting services to the Triodetic Group of Companies, which is owned by the same individual that controls Targa Group Inc., the Company's largest shareholder, and accounts and a loan receivable from Hypernetics, a subsidiary of Targa Group Inc., including interest.

Due from related parties totaled $5,103,993 (2007 - $3,744,230) at March 31, 2008 including management fees of $426,600 (2007 – $1,212,598) and loans totaling $4,677,393 (2007 - $2,531,631) as at March 31, 2008 including interest of $505,355 (2007 - $156,383) which accrues at 10% per annum.

During the year ended March 31, 2008, a total of $999,350 (2007 - $2,014,500) of management consulting fees was charged at the agreed exchange amount to these related companies.

During fiscal 2008, total rent expense of $27,428 (2007 - $12,000; 2006 - $12,000) was incurred to companies controlled by Targa Group Inc. for office and manufacturing space and storage services. An amount $51,428 remained unpaid at March 31, 2008.

During the year ended March 31, 2007, the Company acquired an automobile from the Chief Executive Officer of the Company at a cost of $10,000. This transaction was recorded at the estimated fair value of the asset.

Fiscal 2008 interest expense of $92,837(2007 - $183,847; 2006 - $147,137) is primarily interest on related party balances as described in Notes 9 and 10.

In August 2005, the Company obtained a loan ("2005 Loan") from an affiliate of Targa Group Inc. of $425,000. The 2005 Loan is payable on demand and earns interest at a rate of 10% per annum. Additional amounts were provided on the 2005 Loan during the period ending March 31, 2006. The 2005 Loan is secured by an already existing general security agreement over Plaintree's assets. As of March 31, 2008, $1,719,728 (2007 - $1.221,389) had been advanced with interest accrued to date of $266,732 (2007 - $127,545) for a total payable of $1,986,460 (2007 - $1,348,934). This amount is included in due to related parties - other.

On November 19, 2003, the Board of the Company agreed to accept a loan ("Loan") from Targa Group Inc., its largest shareholder, of $500,000 (net of related fees). The Loan is payable on demand and earns interest at a rate of prime plus 5% per annum. The Loan is also secured by an already existing general security agreement over Plaintree's assets. As of March 31, 2008, the total Loan amount outstanding was $445,198 ($310,386 principal plus $134,812 of accumulated interest); 2007 - $410,927 ($310,386 principal plus $100,541 of accumulated interest). This amount is included in "Due to Related Parties – Other".

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears including interest of $98,567 (2007 - $80,971) owing to this related party amounted to $317,375 (2007 - $299,779). In 2003, this related party entered into a forbearance agreement with the Company whereby the Company 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 Company. The forbearance agreement is now in default and the amounts owing are due and payable. This amount is still outstanding as at March 31, 2008 and is included in "Due to Related Parties – Other".

As of April 1, 2002, the Company's senior officers have agreed to defer payment of consulting fees and salaries payable. During fiscal 2008, a portion of these fees and salaries, amounting to $126,000 (2007 - $92,000), was paid to the senior officers. At March 31, 2008, these fees and salaries to senior officers of the Company, who are also majority shareholders of Targa Group Inc., amounted to $1,436,847 (2007 - $1,212,847), plus interest charges of $310,243 (2007 - $202,352) for a total payable of $1,747,090 (2007 – $1,415,199). These amounts are included in "Due to Related Parties – Other".

Other Contracts and Commitments

The following table provides a summary of the Company's obligations outstanding as at March 31, 2008:

	Payments due by period		
	Total	Less than 1 year	1-3 Years
Due to related parties – convertible debentures	1,749,145	1,749,145	-
Due to related parties – other	4,508,183	4,508,183	-
	$ 6,257,328	$ 6,257,328	$ -

Facilities

During the year ended March 31, 2008, Plaintree sold its existing building in Arnprior, Ontario. The Company has been occupying approximately 2,000 square feet of office space for $2,000 per month owned by the Triodetic Group of Companies.
As a result of the Acquisition described in the Overview, the land and buildings owned by the Triodetic Group of Companies provides sufficient space to support the operations of the post Acquisition Company.

Critical accounting estimates

The following critical accounting policies and significant estimates are used in the preparation of our consolidated financial statements:

Revenue recognition and warranties
Revenue from product sales is recorded on shipment provided evidence of an arrangement exists and collection is probable. In addition, a provision for potential warranty claims is recorded at the

time of sale, based on warranty terms and prior claims experience. Extended warranty contracts are sold separately from the product and the associated revenue is recognized over the term of the agreement. Service revenue is recognized when the service is performed. Deferred revenue arises when extended warranty contracts are paid in advance.

Management services revenue is recognized as services are delivered when there is persuasive evidence of an agreement and collection is reasonably assured.

Research and development costs

Research costs are expensed as incurred. Development costs are deferred once technical feasibility has been established and all criteria for deferral under GAAP are met. Such costs are amortized, commencing when the product is released, over the lesser of the expected life of the related product and three years.

Inventories

Finished goods are valued at the lower of cost (first-in, first-out) and net realizable value. Work in process and raw materials are valued at the lower of cost and replacement cost. Provisions for excess and obsolete inventory are made in the period in which management determines the inventory to be excess or obsolete.

Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Management makes estimates related to revenue recognition and allowance for doubtful accounts, useful lives of assets, valuation of its investment in partnership, valuation of its inventory, stock-based compensation, certain accrued liabilities, deferred revenue and convertible debentures. Actual results could differ from the estimates made by management.

Stock option plan

The Company has stock option plans as described in Note 10 to the Fiscal 2008 Statements. The Company uses the fair value based method to measure stock-based compensation for all stock-based awards made to non-employees, and for direct awards made to directors and employees of common shares, stock appreciation rights, and awards that result from settlement for cash or other assets. Awards that the Company has the ability to settle in shares are recorded as equity whereas awards that the Company is required to or has a practice of settling in cash are recorded as liabilities.

New accounting policies

Effective April 1, 2007, the Company has adopted the following accounting standards. There were no changes in measurement resulting from applying the new standards on April 1, 2007.

Financial instruments

Section 3855 of the Canadian Institute of Chartered Accountants (CICA) Handbook, Financial Instruments – Recognition and Measurement came into effect for fiscal years beginning on or after October 1, 2006. This section establishes standards for recognizing and measuring financial assets, liabilities and non-financial derivatives.

Section 3860 of the CICA Handbook has been reissued as section 3861, Financial Instrument – Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions came into effect for fiscal years beginning on or after October 1, 2006.

All financial assets and liabilities are recorded on the balance sheet. Initial recognition of financial assets and liabilities is at fair value.

Current monetary assets and liabilities

Cash is classified as held for trading and is measured at fair value with changes in fair value recorded in net income. Accounts receivable and accounts payable and accrued liabilities are classified as loans and receivables and other financial liabilities respectively are measured at amortized cost after initial recognition at fair value with interest accretion recorded in net income. Due to the short-term nature of these assets and liabilities, the carrying amounts approximated amortized cost.

Comprehensive income

Section 1530 of the CICA Handbook, Comprehensive Income came into effect for fiscal years beginning on or after October 1, 2006. This section establishes standards for reporting and display of comprehensive income. Comprehensive income is the change in a Company's net assets (equity) that results from transactions, events and circumstances from sources other than the Company's shareholders and includes all changes in equity except those resulting from investments by shareholders.

The CICA also made changes to section 3250 of the CICA Handbook , Surplus and reissued it as section 3251, Equity. The section also came into effect for fiscal years beginning on or after October 1, 2006. This section establishes standards for the presentation of equity and changes in equity during the reporting period.

To date, the Company has no items that would affect other comprehensive income and therefore net income (loss) is equal to comprehensive income (loss). There is no impact of these changes noted above on the opening deficit balance at April 1, 2007.

United States generally accepted accounting principles

In June 2006, the Financial Accounting Standards Board ("FASB") issued "FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes". This interpretation clarifies the criteria for recognizing income tax benefits under FASB Statement No. 109 Accounting for Income Taxes, and requires additional financial statement disclosure about uncertain tax positions. The interpretation is effective for fiscal years beginning after December 15, 2006. The Company implemented this interpretation in fiscal 2007 with no significant impact due to its history of tax losses.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, and where applicable simplifies and codifies related guidance within GAAP and does not require any new fair value measurements. The Statement is effective for fiscal years beginning after January 1, 2008. Provisions of the Statement are to be applied prospectively except in limited situations. The Company has not yet determined the impact of this statement on its financial reporting.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS No. 159 permits companies to measure many financial instruments and certain other items at fair value at specified election dates. Unrealized gains and losses on these items will be reported in earnings at each subsequent reporting date. The fair value option may be applied instrument by instrument (with a few exceptions), is irrevocable and is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. This Statement is required to be adopted by the Corporation in the first quarter of its fiscal year 2009. The Corporation is currently assessing the impact of the adoption of this Statement.

In December 2007, the FASB revised SFAS No. 141R, "Business Combinations." This revision establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, recognizes and measure the goodwill acquired in the business combination or a gain from a bargain purchase, and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement is required to be adopted by the Corporation for business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning on or after December 15, 2008. The Corporation is currently assessing the impact of the adoption of this Statement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51." SFAS No. 160 establishes accounting and reporting standards for noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Corporation is currently assessing the impact of the adoption of this Statement.

Future accounting policy changes

The CICA has issued new accounting pronouncements for disclosure and presentation of financial instruments, Section 3862 – Financial Instruments – Disclosure and Section 3863 – Financial Instruments – Presentation, which are effective for fiscal years beginning on or after October 1, 2007. These sections establish standards for presentation and disclosure of financial instruments and non-financial derivatives. These new sections require disclosures of both qualitative and quantitative information that enables financial statement users to evaluate the nature and extent of risks arising from financial instruments to which the Company is exposed.

Section 1535 – Capital Disclosures has been issued by the CICA and applies to fiscal years beginning on or after October 1, 2007. This section establishes standards for presentation and disclosure of financial instruments and non financial derivatives requires disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Summary of Outstanding Share Data

As at March 31, 2008 the following equity instruments were issued and outstanding:

Common Shares of 90,221,634

Stock Options
Stock options granted and outstanding at March 31, 2008 of 2,175,000 are exercisable to receive the same number of common shares at exercise prices ranging from $.08 to $2.31 with the latest expiry being September 9, 2010. Under the Company's stock option plan, the maximum number of stock options which may be granted is 12,000,000.

Convertible Debentures
The Company has issued various tranches of convertible debentures to related parties for total face value of $1,485,000. The debentures plus accrued interest are convertible at any time into common shares of the Company at varying conversion rates that were determined at the time of issuance of each tranche. If all the debentures plus accrued interest were converted at the current time, the total number of common shares issued would be 20,005,075 on a pre-consolidation basis.

Additional information relating to the Company, may be found on Sedar at www.sedar.com or the Company's website at www.plaintree.com.

PLAINTREE SYSTEMS INC.

For the three month period ended June 30, 2008

Date – August 28, 2008

The following discussion and analysis is the responsibility of management and has been reviewed by the Audit Committee of Plaintree Systems Inc ("Plaintree" or the "Company") and approved by the Board of Directors of Plaintree. The Board of Directors carries out its responsibilities for the financial statements and management's discussion and analysis principally through the Audit Committee, which is comprised exclusively of independent directors.

The following discussion of the financial condition, changes in financial condition and results of operations of Plaintree for the three months ended June 30, 2008 and 2007 should be read in conjunction with the unaudited Consolidated Financial Statements and Notes for the three months ended June 30, 2008 (the "Consolidated Statements") as well as Management's Discussion and Analysis,[audited Consolidated Financial Statements and Notes of Plaintree for the year ended March 31, 2008 ("Fiscal 2008 Statements")]. Historical results of operations, percentage relationships and any trends that may be inferred there from are not necessarily indicative of the operating results of any future period. All amounts are in Canadian dollars, unless otherwise stated, and in accordance with Canadian generally accepted accounting principles ("GAAP").

Caution Regarding Forward Looking Information

This MD&A of the Company contains certain statements that, to the extent not based on historical events, are forward-looking statements based on certain assumptions and reflect Plaintree's current expectations. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions, and statements regarding growth strategy and future-oriented project revenue, costs and expenditures. Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. A variety of inherent risks, uncertainties and factors, many of which are beyond Plaintree's control, affect the operations, performance and results of Plaintree and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include the impact or unanticipated impact of: companies evaluating Plaintree's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the jurisdictions where Plaintree operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the free space optical (" FSO") industry; technological change; currency value fluctuation; general economic conditions worldwide, including in China; Plaintree's success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels. This list is not exhaustive of the factors that may affect any of Plaintree's forward-looking statements. Plaintree undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise. Readers are cautioned not to put undue reliance on forward-looking statements. Readers should also carefully review the risks concerning the business of the Company and the industries in which it operates generally described in the documents filed from time to time with Canadian securities regulatory authorities and the United States Securities and Exchange Commission (SEC).

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

Overview

Located in Arnprior, Ontario, Plaintree historically developed and manufactured the WAVEBRIDGE series of FSO wireless links using Class 1, eye-safe light emitting diode technology providing high-speed network connections for cable companies, internet service providers, traditional telco's, global system for mobile or cellular operators, airports and campus networks. Acting as a replacement for cable, fiber or radio frequency systems, the WAVEBRIDGE links offer broadband access with no spectrum interference problems, and same day installation for rapid network deployment.

On April 1, 2008 the Company completed an acquisition (the "Acquisition") of all of the issued and outstanding share capital of (i) Hypernetics Limited ("Hypernetics"); and (ii) 4439112 Canada Inc. which owned all of the share capital of Triodetic Holdings Inc. and other subsidiaries including Triodetic Building Products Inc. (the "Triodetic Group of Companies").

Hypernetics was established in 1972 and was a manufacturer of avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids, high purity valves and permanent magnet alternators. The Triodetic Group of Companies, with over 40 years of experience, is a design/build manufacturer of steel, aluminum and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings.

The total purchase price of $20 million for both Hypernetics and 4439112 Canada Inc. was paid by the Company by the combination of $1,500,000 cash, the issuance of 35,000,000 pre-consolidation common shares of the Company and the issuance of 18,325 class A preferred shares of the Company. Following the Acquisition, Hypernetics and 4439112 Canada Inc. including all wholly-owned subsidiaries except for the US incorporated subsidiaries, were amalgamated into Plaintree. Following the completion of the amalgamation, the businesses of Hypernetics and the Triodetic Group of Companies are now being operated as separate divisions of Plaintree.

The merger is treated as a transaction between parties under common control and is accounted for under the continuity of interest method. Under this method, the various assets and liabilities are accounted for at the carrying value in the combining companies' records. The excess of cash consideration issued under the transaction over the carrying value of Hypernetics Inc. and Triodetic Holdings Inc. shareholders' equity is reduced against additional paid in capital.

In addition, on April 1, 2008, the Company completed a share consolidation by exchanging one new share for every ten existing shares. All references to common share, option, warrant and per common share amounts for all periods presented have been retroactively restated to reflect the share consolidation.

Concurrent with the Acquisition, Targa Group Inc., a company controlled by William David Watson II and Nora Watson and Plaintree's largest shareholder, provided a credit facility of up to $2.8 million to Plaintree, consisting of (a) a demand loan of $1.8 million; and (b) a revolving $1 million credit line. All amounts advanced to Plaintree are payable on demand and bear interest at a rate per annum equal to 2% above the prime lending rate of the Company's banker as from time to time determined. The credit facility is secured by a security interest granted over the assets of Plaintree. $1.5 million of the $1.8 demand loan was used to pay to William David

Watson II and Nora Watson the cash portion of the purchase price for the shares of the Triodetic Group of Companies.

In addition to the Acquisition and subsequent to its fiscal 2008 year end, Plaintree also:

(a) created “Class A Preferred Shares” to be issued as consideration in the Acquisition The Class A Preferred Shares are non-voting, have a redemption value of $1,000 per share, are entitled to cumulative dividends of 8% per year, are redeemable at any time at the option of Plaintree Systems Inc. and have liquidation preference of the redemption value plus cumulative dividends to common shares.;

(b) consolidated the outstanding common shares of the Company on a 10 pre-consolidation shares for 1 post-consolidation share basis; and

(c) deleted an old class of preferred shares no longer being used by the Company.

The Company's common shares are quoted on the OTCBB in the United States.

Selected Financial Information

The Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with Canadian GAAP, which also conform in all material respects with accounting principles generally accepted in the United States,[except as disclosed in notes 16 & 18 to the Fiscal 2008 Statements]. The Consolidated Statements include the accounts of Plaintree, Hypernetics and the Triodetic Group of Companies, under the continuity of interest method, the current and comparative results are presented as if the companies have always been combined.
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The following table sets forth selected financial information from the Company's financial statements for the three months ended June 30, 2008.

Statement of Operations Data *($000s, except per share data)*	**For the three months ended June 30,**	
	2008	**2007**
Revenue	$ 6,842	$ 2,585
Operating income/(loss)	1,400	(393)
Net income/(loss)	1,514	(93)
Net income/(loss) attributable to common shareholders	1,147	(93)
Basic loss per share	0.12	0.01
Diluted loss per share	0.09	0.01

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

Balance Sheet Data

($000s)	**As at June 30, 2007**	**As at March 31, 2007**
Total assets	$10,045	$11,887
Total liabilities	9,767	11,622
Long-term liabilities	2,411	3,134
Cash dividends declared per share	Nil	Nil

Buhler Partnership Investment

In July 2003, the Company acquired a 49% interest in a general manufacturing partnership formally operating as Buhler Manufacturing ("Partnership") for $20,000,000. The Company obtained a line of credit (bank loan) of $20,300,000 to finance the acquisition and restructuring completed at the time. The investment by Plaintree in the Partnership was completed to provide Plaintree with a portion of the cash distributions expected to be received from the Partnership, net of repayment of the bank loan principle and interest and other Partnership related expenses. Plaintree's interest in the Partnership is limited to receiving its proportionate gross distributions from the income distributed by the Partnership to a maximum aggregate amount of approximately $21,610,000 and the Partnership has now distributed to Plaintree this amount. Plaintree has now effectively ceased to be a partner and is no longer entitled to any further distributions nor is it any longer subject to any obligations as a general partner. In addition, the bank loan and all related expenses have been fully satisfied.

During the three month period ended June 30, 2007, the investment in the Partnership was reduced by $1,700,000. A total of $2,000,000 of distributions were received in the three months ended June 30, 2007 and the investment was reduced to zero with the remaining $300,000 recorded as Partnership income as the remaining $2,000,000 outstanding on the loan was satisfied by the Partnership. Bank loan interest of $8,415 was also incurred and satisfied by the Partnership.

See "Partnership Income", "Other partnership related expenses" and "Bank loan interest" and for further information.

Results of Operations

The consolidated financial statements include the accounts of Plaintree, Hypernetics and Triodetic Group of Companies. Under the continuity of interest method, the current and comparative results are presented as if the companies have always been combined.

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

	Plaintree Systems Inc. *($000s, except per share and % amounts)* Three Months Ended June 30,		Change from
	2008	2007	2007 to 2008
Revenue	6,842	2,585	4,257
Cost of revenue	4,373	1,670	2,703
Gross margin	2,469	915	1,554
	36.1%	35.4%	36.5%
Operating expenses:			
Sales & marketing	253	258	(5)
Finance & administration	312	459	(147)
Research & development	383	431	(48)
Interest expense	88	99	(11)
Gain on foreign exchange	33	60	(27)
	1,069	1,307	(238)
Income from operations	1,400	(392)	(1,792)
Partnership income	-	308	(308)
Bank loan interest	-	(8)	8
Income before taxes	1,400	(92)	(1,492)
Income tax benefit	114	-	114
Net income	$1,514	$(92)	$1,606

Revenues

Total revenue for the first quarter of fiscal 2009 was $6,841,758 compared to $2,584,840 for the same period in fiscal 2008. Revenue increase can be attributed to a stronger demand for all of the Company's product lines as well as price increases to offset the decline in the US dollar.

Gross Margin

Total gross margin increased from 35.4% in the first quarter of fiscal 2008 to 36.1% for the first quarter of fiscal 2009.

Operating Expenses

Sales and marketing expenses

Sales and marketing expenses of $253,346 and $258,255 in the first quarter of fiscal 2009 and 2008 respectively were relatively unchanged and expected to remain constant. These expenses consisted primarily of personnel and related costs associated with the Company's sales and marketing departments, which includes sales commission, advertising, travel, trade shows and other promotional activities.
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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Finance and administration expenses

Finance and administrative expenses were $311,611 and $459,419 in the first quarter of fiscal 2009 and 2008 respectively. Finance expenses were higher during the fiscal 2008 year as the company had additional auditing and due diligence requirements associated with the amalgamation. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which includes financial staff, legal and audit activities.

Research and development expenses

Research and development expenses were $382,579 and $430,905 in the first quarter of fiscal 2009 and 2008 respectively. Expenses decreased in the first quarter of 2009 as some of these resources were used in manufacturing efforts. Research and development expenditures consist primarily of engineering personnel expenses and costs associated with development.

Interest expense

Interest expenses consist of interest incurred on bank and related party debt. The decrease in interest expenses relates primarily to the decrease in related party debt that occurred after the Acquisition, when many related party balances were settled. Also, the majority of the Company's debt accrues interest at variable rates based on bank prime interest and with a general decrease in interest rates the Company's interest expense also decreased.

Gain on foreign exchange

The gain on foreign exchange represents the gain, realized or unrealized, of transactions transactions that are completed in currencies other than the Company's reporting currency.

Partnership income, other partnership related expenses and Bank loan interest

During the three month period ended June 30, 2007, the "Investment in Partnership" was reduced by $1,700,000. A total of $2,000,000 of distributions were received in the three months ended June 30, 2007 and the investment was reduced to zero with the remaining $300,000 recorded as Partnership income as the remaining $2,000,000 outstanding on the loan was satisfied by the Partnership. Bank loan interest of $8,415 was also incurred and satisfied by the Partnership.
See "Buhler Partnership Investment" for further information.

Income tax benefit

The Company realized a benefit in its first quarter of fiscal 2009 resulting from future tax liabilities in Hypernetics and the Triodetic Group of Companies that were extinguished upon the amalgamation with Plaintree.

Net Income, Comprehensive Income and Net Income Attributable to Common Shareholders

Net income and comprehensive income for the first quarter of fiscal 2009 was $1,513,592 compared to a net loss of $92,559 observed in the first fiscal quarter of 2008. Net income attributable to preferred shareholders reduces net income by the $366,500 of cumulative dividends that accrued on preferred shares in the period. The cumulative dividends accrue at 8% per annum on the face value of $18,325,000.

Quarterly Results

The consolidated financial statements include the accounts of Plaintree, Hypernetics and the Triodetic Group of Companies. Under the continuity of interest method, the current and comparative results are presented as if the companies have always been combined, however, the table below reflects selected unaudited consolidated financial information that has been released for each of the last eight quarters.

Only the fiscal 2009 quarter reflects the combined entities under the continuity of interests method. All previous quarters reflect the financial information for the old Plaintree on a stand alone basis:

Quarters ended
(unaudited, in $000s except per share)

	Fiscal 2009	Fiscal 2008				Fiscal 2007		
	June 30 2008	Jun 30 2007	Sept 30 2007	Dec 31 2007	Mar 31 2008	Jun 30 2006	Sept 30 2006	Dec 31 2006
Revenue	$6,842	$573	$136	$95	$486	$540	$528	$556
Inc./(loss) from operations	1,400	243	(315)	(332)	(22)	138	221	260
Net income/ (loss)	1,513	543	(114)	(332)	(27)	147	275	337
Income attributable to common shareholders	1,147	543	(114)	(332)	(27)	147	275	337
Net income/(loss) per share-basic	$0.12	$0.04	$ -	$(0.02)	$ -	$ -	$0.02	$0.03
Net income/(loss) per share-diluted	$0.09	$0.04	$ -	$(0.02)	$ -	$ -	$0.02	$0.03

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

Liquidity and Capital Resources

($000s)	**As at June 30, 2008**	**As at March 31, 2007**	**Change**
Cash	**$ 2,341**	$ 1,759	$ 582
Working Capital	**(120)**	(1,419)	1,299

	Three months ended June 30, 2008	**Three months ended June 30, 2007**	Change
Net cash provided by (used in):			
Operating activities	**3,719**	(634)	4353
Investing activities	**(434)**	(160)	(274)
Financing activities	**(2,702)**	88	(2790)

Cash

As at June 30, 2007, the Company held $2,341,446 in cash, an increase of $1,759,208 from March 31, 2008.

Working Capital

Working capital represents current assets less current liabilities. As at June 30, 2008, the Company had a working capital deficit of $296,877 compared to a working capital deficit of $2,094,469 at March 31, 2008. The improvement in the working capital deficit was primarily a result of the demand loan and line of credit provided by Targa that have been treated as long term because Targa has agreed not to demand payment through at least September 2009.

Cash provided by (used in) Operating activities

Cash provided by operating activities for the first quarter of fiscal 2009 was $3,718,687, compared to the cash use of $633,772 of the first quarter of the prior fiscal year. Cash provided in operating activities for the first quarter of fiscal 2009 relates primarily to net income earned. Cash used in operating activities for the same period in the prior year, includes a net loss as well as a non-cash Partnership income realized upon satisfaction of the bank loan outstanding.

Cash used in Investing activities

Cash used by investing activities for the first quarter of fiscal 2009 was $434,065 compared to $159,697 for the same period of the prior fiscal year. Cash used in investing activities relates to capital acquisitions and improvements.

Cash (used in) provided by Financing activities

Cash used by financing activities for the first quarter of fiscal 2009 was $2,702,384 compared to cash provided by financing activities of $87,500 for the same period of the prior fiscal year. Cash used by financing activities in the first quarter of 2009 relates to repayment of related party debt, distributions to shareholders offset by the addition of new related parties line of credit and demand loan. Cash provided by financing activities during the first quarter of 2008 consisted of proceeds from related parties.

Outlook

As described in the Overview section of this MD&A, the Company completed the “Acquisition” of Hypernetics and 4439112 Canada Inc.

The total purchase price of $20 million for both Hypernetics and 4439112 Canada Inc. was paid by the Company by the combination of $1,500,000 cash; the issuance of 35,000,000 common shares of the Company and the issuance of 18,325 class A preferred shares of the Company. As a result of the Acquisition, Hypernetics and 4439112 Canada Inc. including all wholly-owned subsidiaries except for the US incorporated subsidiaries were amalgamated into Plaintree. Following the completion of the amalgamation, the businesses of Hypernetics and the Triodetic Group of Companies are now being operated as separate divisions of Plaintree.

Concurrent with the Acquisition, Targa Group Inc., a company controlled by William David Watson II and Nora Watson and Plaintree’s largest shareholder, provided a credit facility of up to $2.8 million to Plaintree, consisting of (a) a demand loan of $1.8 million; and (b) a revolving $1 million credit line. All amounts advanced to Plaintree are payable on demand and bear interest at a rate per annum equal to 2% above the prime lending rate of the Company’s banker as from time to time determined. The credit facility is secured by a security interest granted over the assets of Plaintree. $1.5 million of the $1.8 demand loan was used to pay to William David Watson II and Nora Watson the cash portion of the purchase price for the shares of the Triodetic Group of Companies.

The Company showed progress towards being able to fund its own operations from revenue and positive income cash flow. The Company achieved net income of approximately $1.5 million in this first quarter of fiscal 2009 and its working capital was within $300,000 of break-even. However, the operations for the remainder of the year may be volatile and may not produce similar levels of profitability. The Company also continues to carry significant bank and related party debt. The Company has preferred shares with a face value $18,365,000 that accrue cumulative dividends of 8% or $1,466,000 per year in priority over distributions to common shareholders.

The new Plaintree has a diversified product line consisting of structural steel, avionics and wireless communications.

At this time demand for the Companies steel products is strong. Offsetting this positive aspect is the dramatic increase in steel prices over the last 6 months and a shortage of steel tubing which has resulted in manufacturing delays. Revenue is difficult to predict for future quarters with respect to steel increases.

Likewise, the avionics division of the company is presently experiencing strong demand. The declining economy in the US, does, however, seem to indicate that the aviation industry may start to slow.

Plaintree’s wireless communications division has seen stronger interest recently but strong growth is not yet expected.

There can be no assurances that the Company will achieve the long term operating results required to reduce the bank and related party debt to adequate levels and achieve profitability to meet its obligations to preferred shareholders and provide income and cash flow attributable to common shareholders.

Related Party Transactions

Due to Related Parties - Convertible Debentures

The debentures are convertible into common shares of the Company at the holder's option at any time. As at June 30, 2008, all of the debentures have become due and payable and are accruing interest at 10% on the full principle balance of the obligations. A significant portion of the debentures were repaid on April 1, 2008 and the balance of $412,599 outstanding as at June 30, 2008 consists of principle of $147,760 and interest of $264,839. Interest is accrued on the principle portion of the debt at 10% per annum.

Debentures may be repaid at any time by the Company with 30 days notice subject to the holders' right to convert within that time period. All of the Company's assets were pledged as security for these convertible debentures under an already existing general security agreement.

All of the convertible debentures are held by related parties including Targa Group Inc and an independent director of the Company and a company controlled by that director.

The balance of convertible debenture debt outstanding as at June 30, 2008 is as follows:

Debt Component Balance as at March 31, 2008	Activity for the three month period ended June 30, 2008		Debt Component Balance as at June 30, 2008
	Repayment of principle	Accrued Interest	
$ 1,105,951	$(900,000)	$ -	$ 205,951
244,918	(181,240)	970	64,648
241,192	(220,000)	-	21,192
118,084	-	2,724	120,808
$1,710,145	$(1,301,240)	$ 3,695	$ 412,599

Due to Related Parties - Other

On November 19, 2003, the Board of the Company agreed to accept a loan (the"Loan") from Targa Group Inc., its largest shareholder, of $500,000 (net of related fees). The Loan is payable on demand and earns interest at a rate of prime plus 5% per annum. The Loan is also secured by an already existing general security agreement over Plaintree's assets. As at March 31, 2008, the total Loan amount outstanding was $445,198 ($310,386 principle plus $134,812 of accumulated interest). On April 1, 2008, the principle was repaid leaving a balance at June 30, 2008 of $134,812 that is non-interest bearing. This amount is included in "due to related parties - other".

Until March 31, 2003, the Company leased facilities from a company controlled by Targa Group Inc. Lease arrears including interest of $102,259 (March 31, 2008 - $98,567) owing to this related party amounted to $321,067 (March 31, 2008 - $317,375). In 2003, this related party entered into a forbearance agreement with the Company whereby the Company 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 Company. The forbearance agreement is now in default and the amounts owing are due and payable. This amount is still outstanding as at June 30, 2008 and is included in due to related parties – other".

As of April 1, 2002, the Company's senior officers have agreed to defer payment of consulting fees and salaries payable. At June 30, 2008, these fees and salaries to senior officers of the Company, who are also majority shareholders of Targa Group Inc, amounted to $1,524,347 (March 31, 2008 - $1,436,847), plus interest charges of $335,474 (March 31, 2008 - $310,243) for a total payable of $1,859,821 (March 31, 2008 – 1,747,091). These amounts are included in "due to related parties – other".

<u>Long Term Due to Related Parties - Other</u>

A demand loan of up to $1.8 million and a revolving line of credit up to $1 million has been established between Targa Group Inc. and the Company. Targa Group Inc. is a company controlled by David and Nora Watson and is Plaintree's largest shareholder. Under the agreements, all amounts advanced to Plaintree are payable on demand and bear interest at a rate per annum equal to 2% above the prime lending rate as determined by Targa Group Inc.'s banker. The Credit Facility is secured by a security interest granted over the assets of Plaintree.

At June 30, 2008, $1.8 million remained outstanding on the demand loan and $571,509 was drawn against the revolving line of credit. Interest of $39,777 was accrued on these amounts for a total outstanding balance of $2,411,287. Targa Group Inc has agreed that it will not demand payment of the loans through September 30, 2009 and accordingly the amounts are treated as long term debt.

Other Contracts and Commitments

The following table provides a summary of the Company's obligations outstanding as at June 30, 2008:

	Payments due by period		
	Total	**Less than 1 year**	**1-3 Years**
Due to related parties – convertible debentures	$ 412,599	$ 412,599	$ -
Due to related parties – other	2,599,256	2,599,256	-
Bank debt	985,398	985,398	-
Long Term due to related parties – line of credit	1,016,875	-	1,016,875
Long Term due to related parties – demand loan	1,394,411	-	1,394,411
	$ 6,408,539	$ 3,997,253	$ 2,411,286

Facilities

Pursuant to the amalgamation, the Company obtained facilities from the Triodetic Group of Companies. The Triodetic Group of Companies owned 18,000 square feet of plant and office space. In addition, the Company has recently commenced the construction of additional plant and office space providing another 7,000 square feet.

The Company considers that the new premises along with the addition that the Company is building will provide it with adequate space to house its operations.

Critical accounting estimates

The following critical accounting policies and significant estimates are used in the preparation of our consolidated financial statements:

Revenue recognition and warranties

Revenue from product sales is recorded on shipment when all significant contractual obligations have been satisfied provided evidence of an arrangement exists, the price to the customer is fixed and determinable and collection is probable.

In addition, a provision for potential warranty claims is recorded at the time of sale, based on warranty terms and prior claims experience. Extended warranty contracts are sold separately from the product and the associated revenue is recognized over the term of the agreement. Service revenue is recognized when the service is performed.

Revenue on fixed-price contracts is recognized based on the estimated percentage of completion of services rendered that reflects the extent of work accomplished. Management estimates the percentage-of-completion by reference to measures of performance that are (a) reasonably determinable and are (b) directly related to the activities critical to completion of the contract. The Company uses this method of revenue recognition because projected contract revenue and costs may reasonably be estimated based on the Company's business practices, methods and historical experience. This method requires estimates of costs and profits over the entire term of the contract. Management regularly reviews underlying estimates of project profitability and any revisions to estimates are reflected in the statement of earnings for the period in which the facts that give rise to the revision become known. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured as the amount by which the estimated costs of the contract exceed the estimated total revenue from the contract.

Progress billings are recorded as deferred revenue to the extent that the billings exceed revenue recognized to date. Unbilled revenue is recorded to the extent that revenue has been recognized, but not yet billed to the customer.

Research and development costs

Research costs are expensed as incurred. Development costs are deferred once technical feasibility has been established and all criteria for deferral under GAAP are met. Such costs are amortized, commencing when the product is released, over the lesser of the expected life of the related product and three years.

Inventories

Finished goods are valued at the lower of cost (first-in, first-out) and net realizable value. Work in process and raw materials are valued at the lower of cost and replacement cost. Provisions for the excess and obsolete inventory are made in the period in which management determines the inventory to be excess or obsolete.

Use of accounting estimates

The preparation of financial statements in conformity with generally GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Management makes estimates related to revenue recognition and allowance for doubtful accounts, useful lives of assets, valuation of its investment in partnership, valuation of its inventory, stock-based compensation, certain accrued liabilities, deferred revenue and convertible debentures. Actual results could differ from the estimates made by management.

Stock option plan

The Company has stock option plans as described in Note 10 to the Fiscal 2008 Financial Statements. The Company uses the fair value based method to measure stock-based compensation for all stock-based awards made to non-employees, and for direct awards made to directors and employees of common shares, stock appreciation rights, and awards that result from settlement for cash or other assets. Awards that the Company has the ability to settle in shares are recorded as equity whereas awards that the Company is required to or has a practice of settling in cash are recorded as liabilities.

Changes in accounting policies

Effective January 1, 2008, the Company adopted the following new CICA accounting pronouncements which did not have a material impact on the Company's financial statements and disclosure:

Assessing going concern – Section 1400

The Accounting Standards Board (AcSB) amended Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

Capital disclosures – Section 1535

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externallyimposed capital requirements, provides information whether the entity has complied with them, and if not, the consequences of non-compliance.

Financial Instruments – Section 3862 & 3863 – Disclosures & Presentation

These new sections 3862 (on disclosures) and 3863 (on presentation) replace Section 3861, revising and enhancing its disclosure requirements, and carrying forward without any changes, its presentation requirements. Section 3862 complements the principles for recognizing, measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Summary of Outstanding Share Data

As at June 30, 2008 the following equity instruments were issued and outstanding:

Common Shares of 12,522,143

Convertible Debentures
The Company has issued various tranches of convertible debentures to related parties for total outstanding value at June 30, 2008, of $412,599. The debentures plus accrued interest are convertible at any time into common shares of the Company at varying conversion rates that were determined at the time of issuance of each tranche. If all the debentures plus accrued interest were converted at the current time, the total number of common shares issued would be 605,291.

Additional information relating to the Company may be found on Sedar at www.sedar.com or the Company's website at www.plaintree.com.