SCHEDULE E

Q1 2009 Financial Statements

“Notice to Reader”

The accompanying unaudited interim consolidated financial statements of Plaintree Systems Inc. for the three months ended June 30, 2008 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company’s external auditors.

Date: August 28, 2008

“David Watson”

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David Watson
CEO

PLAINTREE SYSTEMS INC.

Consolidated Balance Sheets

(in Canadian dollars)

	June 30, 2008	March 31 2008
	(unaudited)	(unaudited)
Current assets		
Cash	$ 2,341,446	$ 1,759,208
Trade accounts receivable, net of allowance for doubtful accounts of $nil (March 31, 2008 - $nil)	2,221,999	2,834,591
Unbilled revenue	260,372	300,898
Inventories	2,078,300	2,156,468
Prepaids and other	156,601	91,959
Due from related party	-	2,072,248
	7,058,718	9,215,372
Capital assets, net	2,986,726	2,671,812
	$ 10,045,444	$ 11,887,184
Current liabilities		
Accounts payable and accrued liabilities	$ 2,687,026	$ 2,496,818
Deferred revenue	671,316	1,473,387
Due to related parties - convertible debentures (Note 6)	412,599	1,710,145
Due to related parties - other (Note 7)	2,599,256	4,821,055
Long term debt - current portion (Note 9	985,398	808,436
	7,355,595	11,309,841
Long term debt (Note 9)		198,465
Future income taxes		113,906
Long term due to related parties - line of credit (Note 8)	1,016,875	-
Long term due to related parties - demand loan (Note 8)	1,394,411	-
	9,766,881	11,622,212
Shareholders' equity		
Share capital		
Preferred shares 18,325 outstanding;	1	-
Common shares 12,522,143 outstanding; (March 31, 2008 - 12,522,143)	97,561,140	97,586,741
Additional paid in capital	-	788,259
Equity component of convertible debentures	943,061	943,061
Deficit	(97,778,564)	(98,606,015)
Accumulated other comprehensive income	(447,075)	(447,075)
	278,563	264,972
	$ 10,045,444	$ 11,887,184

APPROVED BY THE BOARD:

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PLAINTREE SYSTEMS INC.

Consolidated Statements of Operations
Three months ended June 30, 2008 and 2007
(in Canadian dollars)

	Three Months Ended June 30,	
	2008	**2007**
	(unaudited)	(unaudited)
Revenue	**$ 6,841,758**	**$ 2,584,840**
Cost of revenue	**4,373,130**	**1,670,071**
Gross margin	**2,468,628**	**914,769**
Operating expenses		
Sales and marketing	**253,346**	**258,255**
Finance and administration	**311,611**	**459,419**
Research and development	**382,579**	**430,905**
Interest expense (Notes 5 and 6)	**88,468**	**98,807**
Gain on foreign exchange	**32,937**	**59,942**
	1,068,942	**1,307,328**
Income (loss) from operations	**1,399,686**	**(392,559)**
Partnership income	**-**	**308,415**
Other partnership related expenses	**-**	**-**
Bank loan interest	**-**	**(8,415)**
Income (loss) before taxes	**1,399,686**	**(92,559)**
Income taxes benefit	**113,906**	**-**
Net income (loss) and comprehensive income (loss)	**1,513,592**	**(92,559)**
Cumulative dividends on preferred shares	**366,500**	**-**
Net income (loss) attributable to common shares	**$ 1,147,092**	**$ (92,559)**
Basic and diluted earnings (loss) per share	**$ 0.12**	**$ (0.01)**
Diluted earnings (loss) per share	**$ 0.09**	**$ (0.01)**
Weighted average common shares outstanding - basic	**12,522,143**	**12,522,143**
Weighted average common shares outstanding - diluted	**13,117,823**	**14,238,082**

PLAINTREE SYSTEMS INC.

Consolidated Statements of Cash Flows
Three months ended June 30, 2008 and 2007
(in Canadian dollars)

	Three Months Ended June 30,	
	2008	**2007**
	(unaudited)	(unaudited)
Operating		
Net income (loss)	**$ 1,513,592**	**$ (92,559)**
Items not affecting cash:		
Amortization of capital assets	**119,151**	**35,796**
Gain on disposal of capital assets	**-**	**-**
Amortization of deferred charges	**-**	
Accretion of debt discount	**-**	**5,759**
Interest on due to related party amounts	**72,822**	**38,764**
Non-cash partnership income from satisfaction of loan		**(300,000)**
Stock-based compensation expense	**-**	**-**
Changes in non-cash operating working capital	**2,013,122**	**(321,533)**
	3,718,687	**(633,772)**
Investing		
Purchases of capital assets	**(434,065)**	**(159,697)**
Proceeds from disposal of capital assets	**-**	**-**
	(434,065)	**(159,697)**
Financing		
Distributions to shareholders	**(1,500,000)**	**-**
Repayment of long term debt	**(21,503)**	**-**
Repayment of related parties - convertible debentures	**(1,340,240)**	**-**
(Repayment) increase of related parties - other	**(2,251,927)**	**87,500**
Increase in related parties - line of credit	**1,016,875**	**-**
Increase in related parties - demand loan	**1,394,411**	**-**
	(2,702,384)	**87,500**
NET CASH INFLOW (OUTFLOW)	**582,238**	**(705,969)**
Cash, beginning of period	**1,759,208**	**380,326**
Cash, end of period	**$ 2,341,446**	**$ (325,643)**

Portion of partnership distributions paid directly on bank loan	$ -	$ 2,000,000
Reduction of investment in partnership (non-cash)	$ -	$ (1,700,000)

PLAINTREE SYSTEMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30, 2008
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements for Plaintree Systems Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada for the preparation of interim financial statements. These consolidated financial statements do not include all of the information and notes required by Canadian GAAP for annual financial statements. These interim consolidated financial statements are based upon accounting principles consistent with those used in the annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended March 31, 2008.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Plaintree Systems Inc. ("Plaintree") specializes in developing optical wireless communications equipment for local area, wide area, voice, internet and security networks. On April 1, 2008, Plaintree completed its acquisition of all of the issued and outstanding share capital of Hypernetics Limited ("Hypernetics") and 4439112 Canada Inc., which through a wholly-owned subsidiary owns all of the share capital of Triodetic Building Products Inc. and other subsidiaries (the "Triodetic Group of Companies") in exchange for a payment of cash of $1,500,000 cash. The issuance of 35,000,000 pre-consolidated common shares and the issuance of 18,325 Class A preferred shares. The Class A preferred shares have an 8% cumulative dividend; are redeemable at the option of Plaintree at any time at $1,000 per share plus accrued dividends; and are non-voting. Hypernetics was established in 1972 and is 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. Immediately following the completion of the Acquisition, Plaintree also amalgamated the businesses of each of Hypernetics and the Triodetic Group of Companies into Plaintree (the "Company") and going forward those businesses will be operated by Plaintree as separate divisions of the Company.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of presentation

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.

Inventories

Inventories are valued using a weighted average cost formula and are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The adoption of CICA 3031 does not constitute a change in the Company's accounting policy. The cost of inventories recognized as an expense during the period was $4,017,876 and $1,570,149 at June 30, 2008 and June 30, 2007, respectively. The carrying value of inventory that was pledged as security under the bank operating lines at June 30, 2008 was a combined total of $300,000.

Capital assets

Capital assets are stated at cost. Amortization is provided using the Straight Line Method:

Software	2 years
Computer	3 years
Vehicles	4 years
Equipment and furniture	10 years
Building Improvements	10 years
Building	20 years

The Company's policy is to review all long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount as an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, the Company will estimate the future cash flows expected to result from the use of the assets and their eventual disposition and record an impairment of the assets if required.

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 reasonably determinable and are directly related to the activities critical to completion of the contract. The Company uses this method of revenue recognition as 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; revisions to estimates are reflected in the statement of earnings in 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.

Foreign currency translation

Monetary assets and liabilities, which are denominated in currencies foreign to the local currency of the operation, are translated to the local currency at fiscal year-end exchange rates, and transactions included in the statements of operations are translated at rates prevailing during the fiscal year. Exchange gains and losses resulting from the translation of these amounts are included in the statement of operations.

The accounts of the Company's wholly owned US subsidiary, which is considered to be an integrated foreign operation, has been translated into Canadian dollars using the temporal method of foreign currency translation. Under this method, monetary assets and liabilities are translated at the rate of exchange at year-end.

In prior years, the Company had active subsidiaries (reporting in foreign currencies) that were considered to be self-sustaining. The translation of the accounts of these subsidiaries resulted in the accumulated other comprehensive income reported in the consolidated balance sheets.

Stock option plans

The Company uses the fair value-based method to measure stock-based compensation for all stock-based awards.

Investment tax credits

Investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation.

Research and development expenditures

Current research costs are expensed as incurred. Expenditures for research and development equipment, net of related investment tax credits, are capitalized.

Development costs are deferred and amortized when the criteria for deferral under Canadian generally accepted accounting principles are met, or otherwise, are expensed as incurred. To date, no such costs have been capitalized.

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 disclosures 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 capital assets, valuation of the investment in partnership, inventory, stock-based compensation, accrued liabilities, deferred revenue and bifurcation of convertible debentures. Actual results could differ from the estimates made by management.

Income taxes

The Company uses the asset and liability method to account for income taxes. Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Future income tax assets and liabilities are measured using substantively enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in statutory tax rates is recognized in net income in the year of change. Future income tax assets whose recoverability is not sufficiently likely are not recorded in these financial statements.

Investment in Partnership

The Company accounted for its 49% investment in the Buhler Partnership using the equity method.

Financial instruments

The Company adopted the CICA Handbook Section 1530; *Comprehensive Income*, Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861,

Financial Instruments – Disclosure and Presentation and Section 3865, *Hedges* as of April 1, 2007. The adoption of these standards did not have a significant impact on these financial statements.

(a) Comprehensive income

The elements of comprehensive income are net earnings as per the Consolidated Statement of Operations. There are no additional elements of Other Comprehensive Income.

(b) Financial assets and financial liabilities

Under the new standards, all financial assets and liabilities are initially recorded at fair value. Subsequent measurement is determined based on the classification of the financial instrument including the treatment of gains or losses which are recognized in either net earnings or other comprehensive income. Under Section 3855, financial instruments are classified into one of five categories: held-for-trading financial assets, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities.

Held-for- trading
Financial assets that are purchased and incurred with the intention of generating profits in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net income during the period. Cash was classified as held for trading.

Held-to-maturity
Financial assets that have a fixed maturity date and for which the Company has the positive intention and ability to hold to maturity are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method. No financial assets were classified as held-to maturity on June 30, 2008.

Loans and receivables and other financial liabilities
Loans and receivables and other financial liabilities are measured at fair value at inception, which due to their short-term nature, are approximated. This classification is consistent with the classification under the prior accounting standards.

Available-for-sale
Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. When a decline in fair value is determined to be other-than-temporary, the cumulative loss included in accumulated other comprehensive income is removed and recognized in net income.

Gains and losses realized on disposal of available-for-sale securities are recognized in net income. No financial assets were classified as available-for-sale on June 30, 2008.

(c) Embedded derivatives

Derivatives may be embedded in other financial and non-financial instruments (the "host instrument"). Prior to the adoption of the new standards, embedded derivatives were not accounted for separately from the host instrument except in certain circumstances. Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in the Consolidated Statement of Loss as an element of general and administrative expenses. The Company will recognize embedded derivatives in its consolidated balance sheet, if applicable. There were no derivatives recorded in the financial statements for the three months ended June 30, 2008 or June 30, 2007.

(d) Hedge accounting

This optional standard allows entities to designate certain qualifying transactions as hedges for accounting purposes in order to recognize the gains, losses, revenues and expenses associated with the items in a hedging relationship in net income in the same period when they would otherwise be recognized in different periods. The Company would be required to formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Derivatives that qualify as hedging instruments would be designated as either a 'cash flow hedge,' when the hedged item is a future cash flow, or a 'fair value hedge,' when the hedged item is a recognized asset or liability. The unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the Consolidated Balance Sheet and the unrealized gains and losses from both items would be included in earnings. The Company does not use hedge accounting.

PLAINTREE SYSTEMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30, 2008

3. Capital Assets

	June 30, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 180,874**	**$ -**	**$ 180,874**
Building	**1,558,875**	**128,325**	**1,430,550**
Construction in process	**307,025**	**-**	**307,025**
Factory equipment	**2,617,961**	**1,680,512**	**937,449**
Computer equipment	**335,428**	**261,385**	**74,043**
Office equipment and furniture	**186,475**	**143,630**	**42,845**
Vehicles	**56,784**	**49,781**	**7,003**
Software	**76,926**	**69,989**	**6937**
	$ 5,320,348	**$ 2,333,622**	**$ 2,986,726**

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 180,874	$ -	$ 180,874
Building	1,465,674	103,962	1,361,711
Factory equipment	2,574,425	1,616,121	958,304
Computer equipment	917,257	837,031	80,226
Office equipment and furniture	186,475	138,969	47,507
Vehicles	56,784	46,232	10,552
Software	74,651	66,864	7,787
Paving	25,490	637	24,853
Intangibles	50,000	50,000	0
	$ 5,531,630	$ 2,859,817	$ 2,671,812

4. Investment in Partnership and Bank Loan

During the three month period ended June 30, 2007, the Investment in Partnership was reduced by $1,700,000. Also, a total of $2,000,000 of distributions was received 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.

5. Line of Credit

The Company through its Hypernetics division has a $450,000 operating line of credit available, secured by a general security agreement over all assets, assignment of all risk insurance on the assets of the Company, a guarantee by Targa Electronics Systems Inc of up to $675,000 and a postponement of the amount due to a senior officer. The facility bears interest at the bank's prime rate plus 0.50% and is renewable on an annual basis. As at June 30, 2008, $nil has been drawn against this credit.

The Company through its Triodetic division has a $550,000 line of credit available, secured by a general security agreement over all assets and an assignment of all risk insurance on the assets of the Company. The facility bears interest at the bank's prime rate plus 1% per annum and is renewable on an annual basis. As at June 30, 2008, $nil has been drawn against this credit.

The Company is in the process revising the operating lines of credit under the newly amalgamated structure.

6. Due to related parties (Convertible Debentures)

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

The convertible debentures 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.

7. 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 at March 31, 2008, the total Loan amount outstanding was $445,198 ($310,386 principle plus $134,812 of accumulated interest). On April 1, 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 ($98,567 on March 31, 2008) owing to this related party amounted to $321,067 ($317,375 on March 31, 2008). 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 ($1,436,847 on March 31, 2008), plus interest charges of $335,474 ($310,243 on March 31, 2008) for a total payable of $1,859,821 (1,747,091 on March 31, 2008). These amounts are included in "due to related parties – other".

8. Long – Term Due to related parties (Other)

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 the loans through at least September 30, 2009 and, accordingly, the amounts are being shown as long term.

9. Long-term debt

	June 2008	March 2008
Bank loan bearing interest at the rate of prime plus 1.25% per annum, accruing interest only until May 2008 and due in monthly principle payments of $4,080 from May 2008 through April 2013.	**237,903**	244,822
Bank loan bearing interest at the rate of prime plus 1.00% per annum, payable in monthly principle plus interest installments of $4,220.61, maturing May 2027.	**523,761**	528,486
Term loan payable in monthly instalments of $1,007, bearing interest at the rate of prime plus 0.85% per annum, secured by a mortgage on a property, maturing February 2012.	**142,993**	146,015
Term loan payable in monthly instalments of $1,663, bearing interest at the rate of prime plus 0.75% per annum, secured by equipment and the general security agreement referred to in Note 5, maturing December 2011.	**73,389**	76,550
Term loan payable in monthly instalments of $1,225, bearing interest at the rate of prime plus 1.00% per annum, secured by equipment and the general security agreement referred to in Note 5, maturing December 2008.	**7,352**	11,028
	$985,398	$808,436
Less Current Portion	**$ 0**	$198,465

The Company's credit facilities that were assumed as part of the Acquisition of Hypernetics and Triodetic Group of Companies, including the bank loan and credit line (see Note 5, contain certain covenants with respect to maintenance of certain financial ratios. As at June 30, 2008, the Company was not in compliance with certain covenants. As a result the outstanding bank loan balance has been classified as a current debt. The Company is renegotiating new credit facilities and related covenants for the amalgamated entity as a whole.

10. Share Capital

Authorized
Unlimited number of preferred shares, issuable in series

On April 1, 2008, the previously existing Series I and II preferred shares were deleted and the following were established:

Class A 8% cumulative dividend; redeemable at the option of the Company at any time at $1,000 per share plus accrued dividends; non-voting.

Unlimited number of common shares. On April 1, 2008, the Company also completed a 10 for 1 share consolidation of the outstanding common shares.

11. Basic and Diluted Earnings (Loss) per Common Share

Net income (loss) per share common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding for the combined entities during the year. Net loss attributable to common shareholders represents net income (loss) reduced by the amount of 8% preferred share dividends accumulated in the period.

Diluted income (loss) per common share is calculated by dividing the applicable net income (loss) by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

12. Segmented Information

The Company's chief decision maker, the Chief Executive Officer, tracks the Company's operations as three business segments - the design, development, manufacture, marketing and support of computer networking products, the manufacturer of avionic components and the design and manufacture of steel, aluminum and stainless steel specialty structures. The revenue and cost of sales as for the periods ending June 30, 2008 and March 31, 2008 are presented on the statement of operations.

Revenue by geographic location

	June 30, 2008	June 30, 2007
Canada	**$3,830,298**	$1,349,662
United States	**2,235,918**	1,198,208
Other	**775,542**	36,970
Total revenue	**$6,841,758**	$2,584,840

The product revenue concentration (customers with revenues in excess of 10% of total revenues) is as follows:

	2009	2008
Number of customers	**2**	2
% of total revenue	**32**	74

13. New 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 the 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 externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

The Company manages its capital, being cash, bank term and operating debt and related party debt, with the primary objective being safeguarding sufficient working capital to sustain operations and reducing the overall Company debt. The Company uses bank term debt to finance its capital purchases. The Board of Directors has not established capital benchmarks or other targets. The Company has available lines of credits with its bank that are subject to externally imposed covenants. As at June 30, 2008, the Company was not in compliance with these covenants but is renegotiating with its bank to reestablish covenants based on the post amalgamation operations.

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 unchanged 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

Currency risk

The Company is exposed to foreign exchange fluctuations against the Canadian dollar as sales are denominated in US dollars and other foreign currencies, while expenditures are primarily denominated in Canadian dollars. The Company did not use derivative financial instruments to manage this risk in the quarters ended June 30, 2008 and 2007. For the quarters ended June 30, 2008 and 2007, the Company had a foreign exchange gain of $32,937 and $59,942, respectively. A 10% change in the value of the Canadian dollar against the US dollar would cause an approximate foreign exchange gain or loss of $165,000 and $66,600, respectively.

Interest risk

The Company's exposure to interest rate risk relates primarily to variable interest rates on bank and related party debt totaling $5,510,062. The variable interest rates range from prime plus 0.75% to prime plus 2.00%. A 1% change in the bank prime interest rate causes a $51,000 change in annual interest expense. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

Credit risk

The Company provides credit to its customers in the normal course of operations. The Company sells its products and services primarily to large corporations. The Company has established credit evaluation, approval and monitoring processes to mitigate credit risk. The Company maintains a provision in allowance for doubtful accounts for anticipated bad debts. The Company has concentrated credit risk with three customers that accounted for 56% of its accounts receivable as at June 30, 2008. As at June 30, 2008 the Company's aging of accounts receivable was approximately 94% under sixty days, 4% over 60 days and 3% over 90 days and the allowance for doubtful accounts was $NIL.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's manages its liquidity risk by review on an ongoing basis its capital requirements. The Company completed its acquisition of Hypernetics Inc and Triodetic Group of Companies at the beginning of the current fiscal year. While the newly amalgamated entity showed significant revenue, net income and positive cash flow; there are no assurances that it will continue to achieve this profitability going forward.

As at June 30, 2008, the Company has a small negative working capital and other long term related party debt including a line of credit and a demand loan. While the related parties have agreed not to demand the line of credit or the demand loan through at least September 30, 2009, there is no assurance that they will delay beyond that.

Accounts payable and accrued liabilities

The Company accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date. As at June 30, 2008 over 86% of accounts that are payable are current.

Fair values

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. "Cash", "accounts receivable", "accounts payable" and "accrued liabilities", "due to related parties – convertible debentures", "due to related parties – other" and" long term debt" are all financial instruments whose fair values approximate their carrying value.

Other comprehensive income (OCI)

The company has not included a statement of other comprehensive income because there are no adjustments arising from the implementation of the financial instruments standards that would affect OCI either retroactively or in the current period. As a result net income is equivalent to OCI for both the current and prior periods.

Recent accounting pronouncements

Goodwill and intangible assets – Section 3064

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. This pronouncement comes into effect for years beginning after October 1, 2008.

The Company is evaluating the impact of these new accounting standards on its consolidated financial statements.