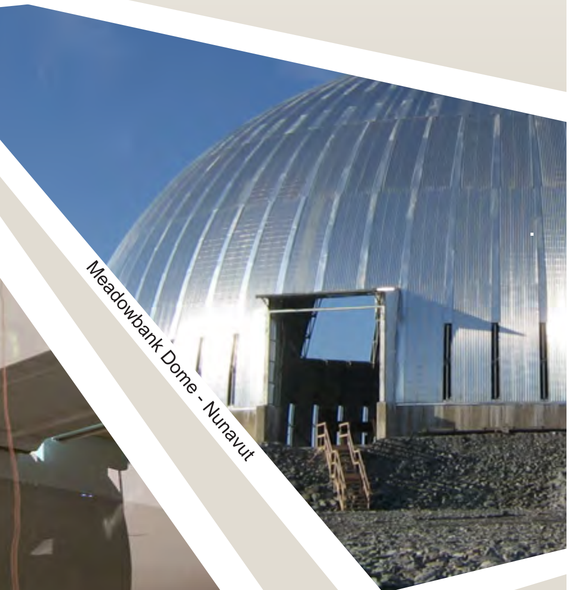
PLAINTREE SYSTEMS INC.

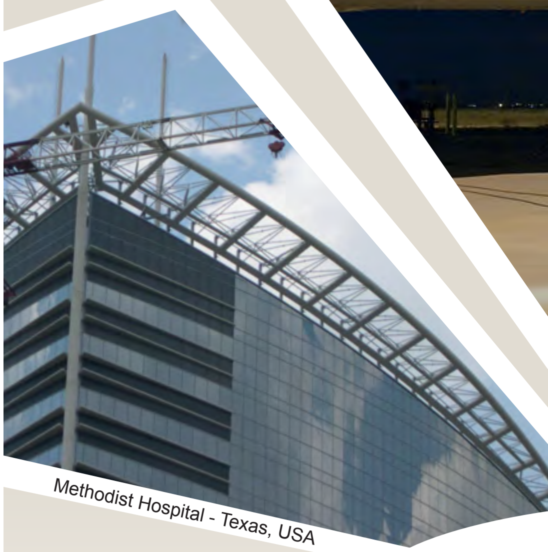
Q3 Report

Pumper Rescue - Arnprior Fire Trucks Corp.

NASA Research Base, Plaintree Systems - WAVEBRIDGE



Meadowbank Dome - Nunavut



Methodist Hospital - Texas, USA

Electromagnetic Devices- Hypernetics

2011

AFT

HYPERNETICS
A Division of Plaintree Systems Inc.

TRIODETIC*

"Notice to Reader"

The accompanying unaudited interim consolidated financial statements of Plaintree Systems Inc. for the nine months ended December 31, 2010 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: February 28, 2011

"David Watson"

David Watson
CEO

PLAINTREE SYSTEMS INC.
Consolidated Balance Sheets
(in Canadian dollars)

	December 31 2010	March 31 2010
	(unaudited)	(audited)
Current assets		
Cash	$ 962,355	$ 1,401,678
Trade accounts receivable, net of allowance for doubtful accounts of $10,442 (2010 - $nil)	1,308,504	1,381,245
Unbilled revenue	136,316	670,891
Inventories	1,431,029	1,377,474
Prepaid expenses and other receivables	207,239	160,662
Due from related party (Note 3)	879,080	745,720
Assets held for sale (Note 4)	1,349,390	-
	6,273,912	5,737,670
Property, plant and equipment, net	2,161,933	2,967,206
Intangible assets	52,277	46,675
	$ 8,488,122	$ 8,751,551
Current liabilities		
Accounts payable and accrued liabilities	$ 914,141	$ 1,078,502
Deferred revenue	194,697	742,374
Due to related parties - other (Note 7)	50,000	-
Long term debt - current portion (Note 9)	755,716	180,610
	1,914,554	2,001,486
Due to related parties - convertible debentures (Note 6)	247,672	247,672
Due to related parties - other (Note 7)	3,063,349	2,831,097
Due to related parties - line of credit (Note 8)	104,159	602,937
Due to related parties - demand loan (Note 8)	66,581	66,581
Long term debt (Note 9)	172,154	855,844
	5,568,469	6,605,617
Shareholders' equity		
Share capital (Note 10)		
Class A preferred shares 18,325 outstanding (March 31, 2010 - 18,325)	1	1
Common shares 12,925,253 outstanding; (March 31, 2010 - 12,925,253)	97,844,651	97,844,651
Additional paid in capital	56,485	46,028
Equity component of convertible debentures	864,854	864,854
Deficit	(95,846,338)	(96,609,600)
	2,919,653	2,145,934
	$ 8,488,122	$ 8,751,551

PLAINTREE SYSTEMS INC.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
Three and nine months ended December 31, 2010 and 2009

(in Canadian dollars)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Product revenue	$ 1,727,022	$ 1,203,410	$ 8,599,372	$ 5,663,257
Management services revenue	-	-	-	103,490
	1,727,022	1,203,410	8,599,372	5,766,747
Cost of revenue				
Cost of products sold	1,223,287	861,259	5,057,142	3,580,096
Cost of services	-	-	-	28,034
Write-down of inventories	-	45,282	30,398	45,282
	1,223,287	906,541	5,087,540	3,653,412
Gross margin	503,735	296,869	3,511,832	2,113,335
Operating expenses				
Sales and marketing	162,631	147,939	458,819	394,180
Finance and administration	253,315	362,547	750,576	955,950
Research and development	447,582	413,692	1,247,957	1,135,311
Interest expense	20,626	31,365	84,751	93,417
Loss on foreign exchange	42,691	59,596	4,570	588,490
	926,845	1,015,138	2,546,673	3,167,347
(Loss) income from operations	(423,110)	(718,269)	965,159	(1,054,012)
Write-down of assets held for disposal	298,998	-	298,998	-
Net (loss) income and comprehensive (loss) income	(722,108)	(718,269)	666,161	(1,054,012)
Cummulative dividends on preferred shares	366,500	366,500	1,099,500	1,099,500
Net (loss) attributable to common shares	$ (1,088,608)	$ (1,084,769)	$ (433,339)	$ (2,153,512)
Basic (loss) per share	$ (0.08)	$ (0.08)	$ (0.03)	$ (0.17)
Diluted (loss) per share	$ (0.08)	$ (0.08)	$ (0.03)	$ (0.17)
Weighted average common shares outstanding - basic	12,925,253	12,925,253	12,925,253	12,790,883
Weighted average common shares outstanding - diluted	12,925,253	12,925,253	12,925,253	12,790,883

PLAINTREE SYSTEMS INC.
Consolidated Statements of Cash Flows
for the three and six months ended September 30 2010 and 2009
(in Canadian dollars)

	Three months ended December 31,		Nine months ended December 31,	
	2010	2009	2010	2009
Operating				
Net (loss) income	$ (722,108)	$ (718,269)	$ 666,161	$ (1,054,012)
Items not affecting cash:				
Amortization of property, plant and equipment	104,622	88,857	285,950	257,067
Write-off of inventories	-	45,282	30,398	45,282
Write-down of assets held for disposal	299,331	-	299,331	-
Loss on disposal of property, plant and equipment	-	17,343	-	17,343
Interest and accretion on convertible debentures	-	-	-	3,694
Interest on due to related party - line of credit	-	7,198	1,223	21,593
Interest on due to related party - demand loan	-	-	-	3,222
Stock-based compensation expense	652	1,449	10,457	4,347
Changes in non-cash operating working capital	550,901	(227,916)	(368,613)	1,101,306
	233,398	(786,056)	924,907	399,842
Investing				
Purchases of property, plant and equipment	(603,185)	(28,746)	(838,231)	(183,225)
Proceeds from disposal of property, plant and equipment	333	8,500	333	8,500
	(602,852)	(20,246)	(837,898)	(174,725)
Financing				
Repayment of long term debt	(35,748)	(36,279)	(108,584)	(108,113)
Increase of related parties - other	103,120	56,492	232,252	251,947
Repayment in due to related parties - line of credit	-	-	(500,000)	-
Decrease in due to related parties - demand loan	-	-	-	(771,509)
Dividends on preferred shares	(50,000)	-	(150,000)	(200,000)
	17,372	20,213	(526,332)	(827,675)
NET CASH OUTFLOW	(352,082)	(786,089)	(439,323)	(602,558)
Cash, beginning of period	1,314,437	1,635,260	1,401,678	1,451,729
Cash, end of period	$ 962,355	$ 849,171	$ 962,355	$ 849,171

1. Basis of Presentation

The Company operates its businesses through two divisions: Specialty Structures (former business of the Triodetic Group of Companies and the newly established Arnprior Fire Trucks Corp.) and Electronics (former business of Hypernetics and FSO business of Plaintree).

On November 23, 2010 Plaintree announced the creation of its new business, a new wholly-owned subsidiary, Arnprior Fire Trucks Corp., located in Arnprior, Ontario, Canada. The new business involves the custom build of high end fire trucks and emergency vehicles to be sold to municipalities with a target market being North America. The new business is operated out of its Arnprior, Ontario premises.

2. Significant Accounting Policies

Basis of presentation

These unaudited interim consolidated financial statements follow the same accounting policies and methods of their application as the Company's audited financial statements for the year ended March 31, 2010. These unaudited interim consolidated financial statements do not conform in all respects to the requirements of GAAP for annual financial statements. These unaudited condensed notes to the unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and notes for the year ended March 31, 2010.

Use of accounting estimates

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 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. Significant management estimates include percentage complete for revenue recognition, unbilled revenues, deferred revenues and allowance for doubtful accounts, useful lives of property, plant and equipment, inventory obsolescence, stock-based compensation, accrued liabilities, income tax valuation allowance and bifurcation of convertible debentures. Actual results could differ from these estimates.

Future accounting pronouncements

Consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which will replace the former Section 1600, Consolidated Financial Statements. These new Sections are effective for interim and annual consolidated statements for fiscal years beginning on or after January 1, 2011 but with earlier adoption permitted and provide the Canadian equivalent to IFRS IAS 27, Consolidated and Separate Financial Statements. The new standards are not expected to have a material effect on the Company's consolidated financial statements.

Business Combinations

The Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial statements and Section 1602, Non-Controlling Interests. These sections replace the former Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to International Financial Reporting Standard (IFRS) 3, Business Combinations (January 2008) and International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). CICA 1582 is effective for business combinations for which the acquisition date is on/after the beginning of the first annual reporting period beginning on/after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Management is evaluating the impact of these standards on its financial statements.

EIC 175

In December 2009, the CICA issued EIC 175, *Multiple Deliverable Revenue Arrangements*, replacing EIC 142, *Revenue Arrangements with Multiple Deliverables*. This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, *Software Revenue Recognition* as amended by Account Standards Update (ASU) 2009-14; (2) provide guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

3. Due from related parties

Due from related parties at December 31, 2010 consists of $879,080 (March 31, 2010 - $745,720) due from Spotton Corporation which is a company controlled by Targa Group Inc ("Targa"). Targa (Plaintree's largest shareholder) is a company controlled by the CEO of the Company and a related party to the CEO. The balance accrues interest at prime plus 2% and is due from the related party on demand.

4. Assets held for sale

Assets held for sale as of December 31, 2010 consists of both manufacturing properties owned by the Company now available for sale. Plaintree has signed a lease on a 136,000 sq.ft. building in Arnprior owned by Tidal Quality Management Corporation, a company owned by Targa Group Inc, the Company's largest shareholder and a company controlled by David Watson, Plaintree's CEO. The move to the new location is now completed and the company has taken steps to sell its two existing buildings. The assets are recorded at lower of carrying value and fair value less estimated selling costs. The properties have mortgage loans totalling $672,595 that would need to be satisfied at the time of sale of the properties. Accordingly, these mortgage loans have also been reclassified as current.

5. Bank line of credit

The Company has a $1 million bank operating line of credit available secured by a general security agreement pledged over all assets, assignment of all risk insurance on the assets of the Company and a postponement of the amounts due to Targa, companies controlled by Targa and to senior officers. The facility bears interest at the bank's prime rate plus 1.0%, is subject to borrower's covenants and conditions and is renewable on an annual basis. As at December 31, 2010 $nil (March 31, 2010 - $nil) was drawn under this line of credit.

6. Due to related parties - convertible debentures

The balance of the convertible debenture debt outstanding as at December 31, 2010 was $247,672 (March 31, 2010 - $247,672). The convertible debentures balance of $247,672 outstanding as at December 31, 2010 consists of accumulated interest only which does not bear further interest.

7. Due to related parties – other

	December 31, 2010 (unaudited)	March 31, 2010 (audited)
Due to Senior Officers	**$2,625,852**	$2,356,361
Due to Shareholders (Class A preferred share dividends)	**50,000**	-
Due to Tidal Quality Management Inc.	**302,685**	339,924
Due to Targa Group Inc.	**134,812**	134,812
	$3,113,349	$2,831,097
Less current portion	**50,000**	-
	$3,063,349	$ 2,831,097

As at December 31, 2010, a balance of $2,625,852 ($2,356,361 on March 31, 2010) consisting of $2,077,390 of principal ($1,878,335 on March 31, 2010) and interest of $548,462 ($478,026 on March 31, 2010) remained owing to senior officers.

The board of directors of the Company declared a cash dividend of $10.91405 per Class A preferred share ($200,000 in the aggregate) payable on July 5, 2010 to the holders of record at the close of business on June 30, 2010. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the $1,000 redemption amount of the Class A preferred shares. The dividend declared was a partial payment of the dividends accumulated. $50,000 of the dividend remains outstanding and is included above as Due to related parties – other.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $127,711 (March 31, 2010 -

$121,115) owing to this related party, amounted to $302,685 (March 31, 2010 - $339,924).

Accumulated interest in the amount of $134,812, (March 31, 2010 - $134,812) which was included in Due to related parties – other – current portion on a loan from Targa remains outstanding as of December 31, 2010.

These amounts are recorded in Due to related parties – other – long-term as the parties have agreed not to demand repayment before March 2012.

8. Due to related parties – line of credit and demand loan

During the first quarter of fiscal 2009, a demand loan of up to $1,800,000 and a revolving line of credit of up to $1,000,000 were established between Targa and the Company. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Facility is secured by a security interest granted over the assets of the Company. At December 31, 2010, $nil (March 31, 2010 - $500,000) remained outstanding on the line of credit with accumulated interest of $104,149 (March 31, 2010 - $102,937); $nil (March 31, 2010 - $nil) principal remained outstanding against the revolving demand loan with accumulated interest owing of $66,581 (March 31, 2010 - $66,581). Targa has agreed that it will not demand repayment before March 2012 and, accordingly, the amounts are being shown as long term.

Due to related parties – building lease

During the third quarter of fiscal 2011, the Company agreed to sign a five year lease for new premises owned by Tidal Quality Management Corporation, a company owned by Targa Group Inc., Plaintree's largest shareholder and a company controlled by David Watson, Plaintree's CEO. The five year lease for the new premises is at $0.41 per sq/ft in the first year, increasing $1.00 per sq/ft per year until the rent reaches $3.41 where it will remain for the balance of the term.

9. Long-term debt

	December 2010 (unaudited)	March 2009 (audited)
Bank loan bearing interest at the rate of prime plus 1.25% per annum, due in monthly principal plus interest installments of $4,733, through to April 2013, secured by a general security agreement.	**$115,166**	$153,771
Bank loan bearing interest at the rate of prime plus 1.00% per annum, payable in monthly principal plus interest installments of $4,221, secured by a general security agreement, maturing May 2027.	**447,337**	471,929
Term loan payable in monthly installments of $1,007, bearing interest at the rate of prime minus 0.85% per annum, secured by a mortgage on a property, maturing February 2012.	**121,368**	128,772
Term loan payable in monthly installments of $1,929, bearing interest at the rate of prime plus 1.25% per annum, secured by equipment and a general security agreement, maturing December 2011.	**18,741**	35,293
Term non-revolving loan payable in monthly installments of $3,161 bearing interest at the rate of prime plus 1.00% per annum, maturing September 2018.	**$225,258**	246,689
	927,870	1,036,454
Current portion	**(755,716)**	(180,610)
	$ 172,154	$ 855,844

10. Share capital

Authorized
Unlimited number of preferred shares, issuable in series
Unlimited number of Class A preferred shares

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.

On June 30, 2009 convertible debt of $179,709 and accrued interest of $3,694 were converted into an additional 403,110 common shares.

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

Net income (loss) per 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 during 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 two business segments - the design, development, manufacture, marketing and support of electronic products (the "Electronics Division"), and the design and manufacture of steel, aluminum and stainless steel specialty structures (the "Specialty Structures Division"). The revenue and cost of sales for the periods ending December 31, 2010 and December 31, 2009 are presented in the statement of operations.

Revenues by division

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Electronics	**$ 570,391**	$ 487,584	**$ 2,129,081**	$ 2,599,993
Specialty Structures	**1,156,631**	715,826	**6,470,291**	3,166,754
Total revenue	**$ 1,727,022**	$ 1,203,410	**$ 8,599,372**	$ 5,766,747

PLAINTREE SYSTEMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended December 31, 2010
(Unaudited)

Revenue by geographical location

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Management Service revenue				
Canada	**$ -**	$ -	**$ -**	$ 103,490
Product Revenue				
Canada	**$ 1,009,523**	$ 386,467	**$ 4,079,224**	$ 1,272,733
United States	**482,103**	795,815	**2,850,078**	4,284,773
Other	**58,694**	21,128	**409,162,**	105,751
Europe	**11,485**	-	**59,642**	-
Chile	**165,217**	-	**1,201,266**	-
Total product revenue	**$ 1,727,022**	$ 1,203,410	**$ 8,599,372**	$ 5,663,257

Income (loss) by division

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Electronics	**$(226,618)**	$(340,175)	**$ (67,509)**	$(517,219)
Specialty Structures	**(495,490)**	(378,094)	**733,670**	(536,763)
Total net income	**$(722,108)**	$(718,269)	**$ 666,161**	$(1,054,012)

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

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Number of customers	**3**	2	**3**	2
% of total revenue	**57%**	34%	**47%**	49%

PLAINTREE SYSTEMS INC.

For the three and nine months ended December 31, 2010

Date – February 28, 2011

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 and nine months ended December 31, 2010 and 2009 should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes for the three and nine months ended December 31,2010 (the interim Consolidated Statements") as well as Management's Discussion and Analysis, of Plaintree for the year ended March 31, 2010 ("Fiscal 2010 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 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 Systems Inc is a diversified company with proprietary technology and manufacturing capabilities in structural design, aerospace, emergency vehicles and telecommunications.

The Company's common shares are quoted on the CNSX (NPT) in Canada.

Selected Financial Information

The Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with Canadian GAAP. The following table sets forth selected financial information from the Company's financial statements for the three and nine months ended December 31, 2010.

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

	For the three months ended December 31, (unaudited)		For the nine months ended December 31, (unaudited)	
	2010	2009	**2010**	2009
Revenue	**$ 1,727**	$ 1,203	**$ 8,599**	$ 5,767
Operating (loss)/income	**$ (423)**	$ (718)	**$ 965**	$ (1,054)
Net income/(loss)	**$ (722)**	$ (718)	**$ 666**	$ (1,054)
Net income/(loss) attributable to common shareholders	**$ (1,089)**	$ (1,085)	**$ (433)**	$ (2,154)
Basic loss per share	**$ (0.08)**	$ (0.08)	**$ (0.03)**	$ (0.17)
Diluted loss per share	**$ (0.08)**	$ (0.08)	**$ (0.03)**	$ (0.17)

($000s)

	2010 (unaudited)	**2010 (audited)**
Total assets	$8,488	$ 8,752
Total liabilities	5,568	6,606
Long-term liabilities	3,654	4,604
Cash dividends declared for Class A preferred shares ($1,000 per share)	$200	$200

Results of Operations

Plaintree Systems Inc.
($000s, except per share and % amounts)
(unaudited)

	Three Months Ended December,31 **2010**	2009	Change from 2009 to 2010
Product and service	**$ 1,727**	$ 1,203	$ 524
Management services revenue – related party	**-**	-	-
Total revenue	**1,727**	1,203	524
Cost of revenue	**1,223**	906	317
Gross margin	**504**	297	207
	29.0%	24.6%	
Operating expenses:			
Sales & marketing	**163**	148	15
Finance & administration	**253**	362	(109)
Research & development	**447**	414	33
Interest expense	**21**	31	(10)
Gain on foreign exchange	**43**	60	(17)
	927	1,015	(88)
Income from operations	**(423)**	(718)	(295)
Write-down of assets held for disposal	**299**	-	299
Net income	**$ (722)**	$ (718)	$(4)

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

Plaintree Systems Inc.
($000s, except per share and % amounts)
(unaudited)

	Nine Months Ended December 31, **2010**	2009	Change from 2009 to 2010
Product and service	**$ 8,599**	$ 5,663	$ 2,936
Management services revenue – related party	**-**	103	(103)
Total revenue	**8,599**	5,766	2,833
Cost of revenue	**5,087**	3,653	1,434
Gross margin	**3,512**	2,113	1,399
	40.8%	36.6%	
Operating expenses:			
Sales & marketing	**459**	394	65
Finance & administration	**750**	956	(206)
Research & development	**1,248**	1,135	113
Interest expense	**85**	93	(8)
Gain on foreign exchange	**4**	589	(584)
	2547	3,167	(620)
Income from operations	**965**	(1,054)	2,019
Write-down of assets held for disposal	**299**	-	299
Net income	**$ 666**	$ (1,054)	$1,720

BUSINESS SEGMENT INFORMATION

The Company's chief decision maker, the Chief Executive Officer, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic products and specialty structures products. In addition, the Company, from time to time, provides management services primarily to related companies. The revenue and cost of sales related to these services are presented on the statement of income (loss). No other expenses or assets are attributable to this segment.

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

Revenues by division

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Electronics	**$ 570,391**	$ 487,584	**$ 2,129,081**	$ 2,599,993
Specialty Structures	**1,156,631**	715,826	**6,470,291**	3,166,754
Total revenue	**$ 1,727,022**	$ 1,203,410	**$ 8,599,372**	$ 5,766,747

Income (loss) by division

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Electronics	**$(226,618)**	$(340,175)	**$ (67,509)**	$(517,219)
Specialty Structures	**(495,490)**	(378,094)	**733,670**	(536,763)
Total net income	**$(722,108)**	$(718,269)	**$ 666,161**	$(1,054,012)

Revenue by geographical location

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Management Service revenue				
Canada	**$ -**	**$ -**	**$ -**	$ 103,490
Product Revenue				
Canada	**$ 1,009**	$ 386,467	**$ 4,079,224**	$ 1,272,733
United States	**482,103**	795,815	**2,850,078**	4,284,773
Other	**58,694**	21,128	**409,162,**	105,751
Europe	**11,485**	-	**59,642**	-
Chile	**165,217**	-	**1,201,266**	-
Total product revenue	**$ 1,727,022**	$ 1,203,410	**$ 8,599,372**	$ 5,663,257

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

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	**Nine months ended December 31, 2010 (unaudited)**	Nine months ended December 31, 2009 (unaudited)
Number of customers	**3**	2	**3**	2
% of total revenue	**57%**	34%	**47%**	49%

Revenues

Management services revenue from related parties

Management services revenue was earned from a company controlled by a significant shareholder of Plaintree. Management services revenue decreased to $nil for the first nine months of 2011 from $103,490 in first nine months of 2010. These services are provided as requested by the related party and there is no assurance that the Company will continue to earn this revenue going forward.

Product revenue

Total product revenue for the nine months ended December 31, 2010 was $8,599,372 compared to $5,766,747 for the nine months ended December 31, 2009.

Plaintree has two diversified business divisions: Specialty Structures and Electronics.

Plaintree's Specialty Structures Division revenue increased to $1,156,631 for the three months ended December 31, 2010 compared to $715,826 for the same period of the previous year. Specialty structures Division experienced continued increased activity in the first three quarters of fiscal 2011 and expects that trend to continue.

Plaintree's Electronics Division revenue increased to $570,391 for the three months ended December 31, 2010 compared to $487,584 for the same period of the previous year. Plaintree's Electronics Division derives most of its revenues from products installed on commercial aircraft and in particular, business jets. This market segment revenue decreased significantly during the 2010 year and it is expected that these revenues will remain slower through 2011.

Gross Margin

Total gross margin increased to 40.8% in the nine months period ended December 31, 2010 from 36.7% for the nine months ended December 31, 2009. The completion of several large projects and the consumption in the first nine months of inventory revalued from cost to market in fiscal 2010, contributed to increased margin for this period.

Operating Expenses

Sales and marketing expenses

Sales and marketing expenses were $458,819 and $394,180 in the nine months ended December 31, 2010 and 2009 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 fluctuations in sales and marketing expenses mainly relate to the cost of travel, commissions and advertising associated with the projects the Company participated in during the period. Sales and marketing expenses are expected to remain at comparable levels for the remainder of fiscal 2011.

Finance and administration expenses

Finance and administrative expenses were $750,576 and $955,950 in the nine months ended December 31, 2010 and 2009, respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities. The reduction in finance and administration costs are a result of a reduction in the professional fee expenses incurred by the Company.

Research and development expenses

Research and development expenses were $1,247,967 and $1,135,311 in the nine months ended December 31, 2010 and 2009 respectively. Research and development expenditures consist primarily of development engineering and personnel expenses.

Research and development expenses are expected to remain at comparable levels for the remainder of fiscal 2011.

Interest expense

Interest expense consists of interest incurred on bank and related party debt. Interest expenses were $84,751 and $93,417 for the nine months ended December 31, 2010 and 2009, respectively. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

Gain on foreign exchange

The Company reported loss on foreign exchange of $4,570 and $588,490 in the nine months ended December 31, 2010 and 2009 respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized, of transactions and year end foreign balances that are completed in currencies other than the Company's reporting currency. A 21% drop in the US rate of exchange from the start to the close of the first nine months of fiscal 2010 resulted in a large loss on foreign exchange.

Write-down of assets held for disposal

Certain property and buildings were identified for disposal after the Company entered a new lease agreement for additional office and manufacturing space in the period. The Company commenced a sales process for the two properties. The write-down on assets held for disposal of $298,998 during fiscal 2011 resulted from marking one of the buildings down to fair value less estimated selling costs from its previous carrying cost.

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

Net income (loss) and comprehensive income (loss) for the nine months ended December 31, 2010 and 2009 was $666,161 and $(1,054,012). Net (loss) income attributed to common shareholders is calculated by reducing net income by the $1,099,500 of cumulative dividends that accrue on the Class A preferred shares. The cumulative dividends accrue at 8% per annum on the face value of $18,325,000 and as of December 31, 2010, the accrued and unpaid dividends on the Class A preferred shares were $3,431,500.

Quarterly Results

The following table sets out selected unaudited consolidated financial information for each quarter in fiscal 2011 and fiscal 2010:

Quarters ended

(unaudited, in $000s except per share data)

	Dec 31 2010	Sept 30 2010	June 30 2010	Sept 30 2010	Dec 31 2009	Mar 31 2009	June 30 2009	Sept 30 2009
Revenue	$1,727	$3,165	$3,707	$3,425	$1,203	$1,615	$2,948	$4,582
(Loss) / Inc. from operations	$(423)	$284	$1,104	$(169)	$(718)	$(444)	$108	$928
Net (loss) / income	$(722)	$284	$1,104	$(240)	$(718)	$(444)	$108	$913
Net (loss) / income attributed to common shareholders	$(1,089)	$(82)	$737	$860	$(1,085)	$(810)	$(259)	$546
Net (loss) income per share-basic	$(0.08)	$(0.01)	$0.06	$0.07	$(0.08)	$(0.06)	$(0.02)	$0.04
Net (loss) / income per share-diluted	$(0.08)	$(0.01)	$0.06	$0.07	$(0.08)	$(0.06)	$(0.02)	$0.04

Liquidity and Capital Resources

($000s)	**As at December 31, 2010 (unaudited)**	**As at March 31, 2010 (audited)**	**Change**
Cash	**$ 1,314**	$ 1,402	$ (88)
Working Capital	**4,874**	3,736	1,138

	Three months ended December 31, 2010 (unaudited)	Three months ended December 31, 2009 (unaudited)	Nine months ended December 31, 2010 (unaudited)	Nine months ended December 31, 2009 (unaudited)
Net cash provided by (used in):				
Operating activities	$ $234	$ (786)	$ 925	$ 400
Investing activities	$ (603)	$ (20)	$ (838)	$ (175)
Financing activities	$ 17	$ 20	$ (526)	$ (828)

Cash

As at December 31, 2010, the Company held $962,355 in cash, a decrease of $439,323 from March 31, 2010 primarily due to leasehold improvements on the new leased premises and additional factory equipment .

Working Capital

Working capital represents current assets less current liabilities. As at December 31, 2010, the Company had positive working capital of $4,359,359 compared to working capital of $3,736,184 at March 31, 2010. The increase in working capital was primarily due to the reclassification of property and plant currently held for sale. The Company agreed to lease a 136,000 sq/ft building next door to its current location at 10 Didak Drive in Arnprior, Ontario. Plaintree no longer requires its existing two buildings in Arnprior and steps are presently in place to sell the two properties. The combined realizable values of the two manufacturing plants and lands have been recorded on the balance sheet as Assets held for sale.

Cash provided by Operating activities

Cash provided by operating activities for the nine months ended December 31 of fiscal 2011 was $924,907 representing an increase of approximately $525,065 from $399,842 in fiscal 2010. The increase in cash provided by operating activities related primarily to a high collection of accounts receivable and unbilled revenue that were outstanding at December 31, 2009.

Cash used in Investing activities

Cash used in investing activities for the nine months ended December 31 of fiscal 2011 and 2010 was $837,898 and $174,725 relating mainly to the purchase of manufacturing equipment and leasehold improvements.

Cash used in Financing activities

Cash used in financing activities for the nine months ending December 31, of fiscal 2011 and 2010 was $526,332 and $827,675. Cash used in financing activities relates mostly to the repayment of amounts under the related party line of credit and demand loan.

After the effects of the world economic decline during most of fiscal 2010, the Company has seen all of its markets rebound in the first nine months of fiscal 2011. Although contracts have not yet reached the levels we experienced in the 2009 fiscal year, the Company does expect these same volumes to be better than fiscal 2010 for the remainder of fiscal 2011.

The aerospace customers that ceased almost all orders in the past year, have now begun to show signs of life and are increasing demands.

With the increase in mineral prices, our mining customers have reactivated a number of projects that had previously lost momentum.

In summary, providing that the world economies do not slip into double dip recession, the Company is poised for improved operating results during fiscals 2011 and 2012 than fiscal 2010.

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 Class A preferred shareholders and provide income and cash flow attributable to common shareholders.

Liquidity

While the Company incurred a loss in the third quarter of $(722,108), it has achieved a year to date profit of $666,161 as well as positive cash flow from operations of $924,907. A loss on the write-down of assets held for sale of $298,998 is included in the loss of $(722,108) for the three months ended December 31, 2010 and against the income year to date of $666,161. Although short-term results may fluctuate, the Company doesn't believe it will sustain significant losses over the course of the next year. In addition, the Company has various financial vehicles available to it including a related party demand loan of up to $1,800,000 and a revolving line of credit of up to $1,000,000 as well as a $1 million bank operating line of credit available secured by a general security agreement. Given these credit facilities the Company believes it has sufficient working capital and working capital facilities to support operations.

Related Party Transactions

Due from related parties

Due from related parties at December 31, 2010 consists of $879,080 (March 31, 2010 - $745,720) due from Spotton Corporation which is a company controlled by Targa Group Inc ("Targa"). Targa (Plaintree's largest shareholder) is a company controlled by the CEO of the Company and a related party to the CEO. The balance accrues interest at prime plus 2% and is due from the related party on demand.

Due to related parties – other – current portion

The board of directors of the Company declared a cash dividend of $10.91405 per Class A preferred share ($200,000 in the aggregate) payable on July 5, 2010 to the holders of record at the close of business on June 30, 2010. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the $1,000 redemption amount of the Class A preferred shares. The dividend declared was a partial payment of the dividends accumulated. $50,000 of the dividend remains outstanding and is included above as Due to related parties – other.

Due to related parties – other – long-term

	December 31, 2010 (unaudited)	March 31, 2010 (audited)
Due to Senior Officers	**$2,625,852**	$2,356,361
Due to Shareholders (Class A preferred share dividends)	**50,000**	-
Due to Tidal Quality Management Inc.	**302,685**	339,924
Due to Targa Group Inc.	**134,812**	134,812
	$3,113,349	$2,831,097
Less current portion	**50,000**	-
	$3,063,349	$ 2,831,097

As at December 31, 2010, a balance of $2,625,852 ($2,356,361 on March 31, 2010) consisting of $2,077,390 of principal ($1,878,335 on March 31, 2010) and interest of $548,462 ($478,026 on March 31, 2010) remained owing to senior officers.

The board of directors of the Company declared a cash dividend of $10.91405 per Class A preferred share ($200,000 in the aggregate) payable on July 5, 2010 to the holders of record at the close of business on June 30, 2010. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the $1,000 redemption amount of the Class A preferred shares. The dividend declared was a partial payment of the dividends accumulated. $50,000 of the dividend remains outstanding and is included above as Due to related parties – other.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $127,711 (March 31, 2010 - $121,115) owing to this related party, amounted to $302,685 (March 31, 2010 - $339,924).

Accumulated interest in the amount of $134,812, (March 31, 2010 - $134,812) which was included in Due to related parties – other – current portion on a loan from Targa remains outstanding as of December 31, 2010.

These amounts are recorded in Due to related parties – other – long-term as the parties have agreed not to demand repayment before March 2012.

Due to related parties – line of credit and demand loan

During the first quarter of fiscal 2009, a demand loan of up to $1,800,000 and a revolving line of credit of up to $1,000,000 were established between Targa and the Company. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Facility is secured by a security interest granted over the assets of the Company. At December 31, 2010, $nil (March 31, 2010 - $500,000) remained outstanding on the line of credit with accumulated interest of $104,149 (March 31, 2010 - $102,937); $nil (March 31, 2010 - $nil) principal remained outstanding against the revolving demand loan with accumulated interest owing of $66,581 (March 31, 2010 - $66,581). Targa has agreed that it will not demand repayment before March 2012 and, accordingly, the amounts are being shown as long term.

Due to related parties – building lease

During the third quarter of fiscal 2011, the Company agreed to sign a five year lease for new premises owned by Tidal Quality Management Corporation, a company owned by Targa Group Inc., Plaintree's largest shareholder and a company controlled by David

Watson, Plaintree's CEO. The five year lease for the new premises is at $0.41 per sq/ft in the first year, increasing $1.00 per sq/ft per year until the rent reaches $3.41 where it will remain for the balance of the term.

Facilities

The Company has leased a 135,000 sq/ft building next door to its current location at 10 Didak Drive in Arnprior, Ontario. Once the move to the new premises is now complete, Plaintree no longer requires its existing two buildings in Arnprior and steps underway to sell the two buildings.

Use of accounting estimates

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 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. Significant management estimates include percentage complete for revenue recognition, unbilled revenues, deferred revenues and allowance for doubtful accounts, useful lives of property, plant and equipment, inventory obsolescence, stock-based compensation, accrued liabilities, income tax valuation allowance and bifurcation of convertible debentures. Actual results could differ from these estimates.

Future accounting pronouncements

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that the use of IFRS will be required for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosures. The Company is in the process of developing a plan for the implementation of IFRS and will assess the impact of the differences in accounting standards on the Company's consolidated financial statements. It is not possible to quantify the impact of these differences at this time. The Company has engaged the services of consultants to assist with the implementation and timely conversion to IFRS.

Business Combinations

The Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial statements and Section 1602, Non-Controlling Interests. These sections replace the former Section

1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to International Financial Reporting Standard (IFRS) 3, Business
Combinations (January 2008) and International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). CICA 1582 is effective for business combinations for which the acquisition date is on/after the beginning of the first annual reporting period beginning on/after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Management is evaluating the impact of these standards on its financial statements.

EIC 175

In December 2009, the CICA issued EIC 175, *Multiple Deliverable Revenue Arrangements*, replacing EIC 142, *Revenue Arrangements with Multiple Deliverables*. This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, *Software Revenue Recognition* as amended by Account Standards Update (ASU) 2009-14; (2) provide guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

Summary of Outstanding Share Data

As at December 31, 2010, the following equity instruments of the Company were issued and outstanding:

Common Shares: 12,925,253

Class A Preferred Shares: * 18,325

* The Class A Preferred shares provide an 8% cumulative dividend based on a value of $1,000 per share, are redeemable at the option of the Company at any time at $1,000 per share plus accrued dividends and they are non-voting.

Convertible Debentures:** $nil principal value

** The Company has issued various tranches of convertible debentures to related parties for total outstanding value at December 31, 2010, of $247,671 in accrued interest only. The accrued interest is 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 229,935.

Options:*** Options to acquire 570,000 common shares

*** The options, having exercise prices ranging from $0.12 to $0.80, were granted pursuant to the Company's stock option plan.

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