PLAINTREE SYSTEMS INC.

For the years ended March 31, 2011 and 2010

Date – July 14, 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 ("MD&A") principally through the Audit Committee, which is comprised exclusively of independent directors.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the annual Filings. Our 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.

David Watson, Chief Executive Officer ("CEO"), and Lynn Saunders, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the financial statements and this MD&A ("the annual Filings ") and that, based on their knowledge having exercised reasonable diligence, a) the annual Filings do not contain any untrue fact or omit a material fact; and (b) the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in the annual Filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The following discussion of the financial condition, changes in financial condition and results of operations of Plaintree for the years ended March 31, 2011 and 2010 should be read in conjunction with the audited Consolidated Financial Statements and Notes of Plaintree for the years ended March 31, 2011 and 2010 ("Fiscal 2011 Financial Statements"). Historical results of operations, percentage relationships and any trends that may be inferred therefore 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.*

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

Overview

Plaintree Systems Inc ("Plaintree" or "the Company") was incorporated in Canada under the Canada Business Corporation Act. The Company operates an Electronics division (the Hypernetics business and the free space optics business) and a Specialty Structures division (the Triodetic business and a newly formed Arnprior Fire Trucks Corp.). Plaintree was historically a designer and manufacturer of wireless connections transmitting data on beams of light versus conventional radio frequency, commonly referred to as free space optics ("FSO"). The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminium and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings.

On November 23, 2010, Plaintree announced the creation of its new business, a new wholly-owned subsidiary, Arnprior Fire Trucks Corp. 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.

In late fiscal 2011, all operations of Plaintree were relocated to a modern 135,000 sq. ft. manufacturing facility located in Arnprior, Ontario, Canada, thirty minutes west of Ottawa, Ontario, 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 Fiscal 2011 Statements:

($000s, except per share data)

	2011	2010
Revenue	$ 11,041	$ 9,087
Income (loss) before taxes	313	(1,240)
Net (loss) income	313	(1,294)
Basic (loss) earnings per share	(0.09)	$ (0.22)
Diluted (loss) earnings per share	(0.09)	$ (0.22)

($000s,)	2011	2010
Total assets	$ 8,973	$ 8,752
Total liabilities	6,710	6,606
Long-term liabilities	5,102	4,604
Cash dividends declared per common share	Nil	Nil
Cash dividends declared for Class A preferred shares ($1,000 per share)	$200	$200

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

Results of Operations

($000s, except per share and % amounts)	Fiscal Year 2011	Fiscal Year 2010	2010 to 2011
Product	$ 11,041	$ 9,087	$1,954
Management services revenue – related party	-	104	(104)
Total revenue	11,041	9,191	(1,850)
Cost of revenue	6,881	6,313	(568)
Gross margin	4,160	2,878	(1,282)
	37.7%	31.3%	(6.4)%
Operating expenses:			
Sales and marketing	630	536	(94)
Finance and administration	1,047	1,289	242
Research and development	1,672	1,451	(221)
Interest expense	124	130	6
Loss on foreign exchange	46	695	649
	3,519	4,101	581
Income (loss) from operations	641	(1,223)	1,864
(Loss) on disposal of assets	(308)	(17)	291
Income (loss) before taxes	333	(1,240)	1,573
Income tax recovery/(expense)	(20)	(54)	34
Net income (loss)	$ 313	$(1,294)	$1,607

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

BUSINESS SEGMENT INFORMATION

The Company's chief decision maker, the Chief Executive Officer, tracks the Company's operations through 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.

The Company determines the geographic location of revenues based on the location of its customers. All of the Company's assets are primarily located in Canada.

Revenue by geographic location

	2011	2010
Management services revenue		
Canada	$ -	$ 103,490
Product revenue		
Canada	5,167,776	2,482,639
United States	4,085,222	5,256,864
Chile	1,201,267	1,259,537
Other	586,290	88,343
Total product revenue	11,040,555	9,087,383
Total revenue	$ 11,040,555	$ 9,190,873

All of the management services revenue relates to one related party.

Revenue by division

	2011	2010
Management services revenue		
Canada	$ -	$ 103,490
Product revenue		
Canada	5,167,776	2,482,639
United States	4,085,222	5,256,864
Chile	1,201,267	1,259,537
Other	586,290	88,343
Total product revenue	11,040,555	9,087,383
Total revenue	$ 11,040,555	$ 9,190,873

Net income (loss) before taxes by division

	2011	2010
Electronics	**$ (8,053)**	$ (840,437)
Specialty structures	**341,433**	(399,485)
Total net income (loss) before taxes	**$ 333,380**	$ (1,239,922)

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

	2011	2010
Number of customers	**3**	3
% of total revenue	**17%, 17%, 11%**	21%, 14%, 11%

Assets by division

	2011	2010
Electronics	**$ 4,525,537**	$ 5,615,020
Specialty structures	**4,447,567**	3,136,531
	$ 8,973,104	$ 8,751,551

Revenues

Management services revenue from related parties

Management services revenue decreased to $nil fiscal 2011 from $103,490 in fiscal 2010. Management services revenue was earned from a company controlled by a significant shareholder of Plaintree. 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 revenue

Total product revenue for fiscal 2011 was $11,040,555 compared to $9,087,383 in fiscal 2010. Product revenue increased in fiscal 2011 from levels seen in fiscal 2010 as a result of customers beginning to return to their pre global economic downturn levels of fiscals 2009 and 2010.

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

Plaintree's Specialty Structures Division revenue increased to $7,842,754 in fiscal 2011 compared to $5,620,982 in fiscal 2010. Specialty structures division experienced continued increased activity during fiscal 2011 and expects the trend to continue.

Plaintree's Electronic Division revenue remained relatively consistent at $3,197,801 and $3,568,891 for fiscal 2011 and 2010 respectively. Plaintree's Electronic Division derives most of its revenues from products installed on commercial aircraft. This market segment revenue decreased significantly during the 2010 year and moderate growth in these revenues is expected throughout fiscal 2012.

Gross Margin

Total gross margin from management services revenue, from related parties, and product revenue for fiscal 2011 was $4,159,781 or 37,7% compared to $2,878,267 or 31.3% in fiscal 2010. Gross margins related to product sales, not including inventory write-offs, were 50.7% - 2011 and 39.0% - 2010. Margins have been reduced by additional inventory write-offs of $140,969 and $701,634 for 2011 and 2010 respectively The gross margin for 2011 consists of a margin on management services to related parties of $NIL (2010 - $75,456) or NIL% - 2011 and 72.9% - 2010.

Operating Expenses

Sales and marketing expenses

Sales and marketing expenses were $630,089 and $536,286 for fiscal 2011 and 2010, 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. The increase in sales and marketing expenses during fiscal 2011 related primarily to sales commissions related to building contracts on mining projects.

Finance and administration expenses

Finance and administrative expenses were $1,046,749 and $1,288,818 for fiscal 2011 and 2010, respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities.

Finance and administrative expenses were reduced in fiscal 2011 primarily in the areas of insurance costs and outside consulting fees. Finance and administrative expenses are expected to remain consistent throughout fiscal 2012.

Research and development expenses

Research and development expenses were $1,671,625 and $1,451,471, in fiscal 2011 and 2010, respectively. Research and development expenditures consist primarily of development engineering and personnel expenses.

The increase in research and development expenses in fiscal 2011 relate primarily to the development of the new emergency vehicle business of the Company.

Interest expense

Interest expense consists of interest incurred on bank and related party debt. Interest expense was $123,814 and $129,553 in fiscal 2011 and 2010, respectively. Interest expense remained relatively constant for the two fiscal years. 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 a loss on foreign exchange of $46,309 and $694,718 in fiscal 2011 and 2010, respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized on transactions and year end foreign balances that are completed in currencies other than the Company's reporting currency. During the fiscal year ended March 31, 2010, the value of the US dollar decreased in comparison to the Canadian dollar by approximately 25% from the start of the year. The value of the US dollar remained relatively more stable for the fiscal year ended March 31, 2011.

Other income (loss)

Other income (loss) was ($307,815) and ($17,343), during fiscal 2011 and 2010, respectively, resulting from the write-down of surplus lands and buildings currently held for sale by the Company.

Net Income

The net income for fiscal 2011 was $313,295 compared to net loss for fiscal 2010 of $1,293,501.

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)

	Mar 31 2011	Dec 31 2010	Sept 30 2010	June 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009
Revenue	$2,442	$1,727	$3,165	$3,707	$3,425	$1,203	$1,615	$2,948
Inc./(loss) from operations	$(169)	$(423)	$284	$1,104	$(169)	$(718)	$(444)	$108
Net income/(loss)	$(240)	$(722)	$284	$1,104	$(240)	$(718)	$(444)	$108
Net income/(loss) attributed to common shareholders	$1,075	$(1,089)	$(82)	$737	$860	$(1,085)	$(810)	$(259)
Net income/(loss) per share-basic	$0.08	$(0.08)	$(0.01)	$0.06	$0.07	$(0.08)	$(0.06)	$(0.02)
Net income/(loss) per share-diluted	$0.08	$(0.08)	$(0.01)	$0.06	$0.07	$(0.08)	$(0.06)	$(0.02)

Fourth quarter of fiscal 2011

During the fourth quarter of fiscal 2011, revenue was approximately $2.4 million and the net loss was approximately $240,000. Income from operations and net income for the each of the quarters in fiscal 2011 varied primarily due to the size, percentage completion and complexity of the projects entered into by the Company's Specialty Structures division.

Liquidity and Capital Resources

($000s)	Fiscal Year		Change from Fiscal
	2010	**2010**	2010 to 2011
Cash	**$ 371**	**$ 1,402**	$ (1,031)
Working Capital	**5,204**	**3,736**	1,468
Net cash provided by (used in):			
Operating activities	**(155)**	**1,652**	(1,807)
Investing activities	**(1,166)**	**(231)**	(935)
Financing activities	**291**	**(1,162)**	1,453

The Company is subject to various covenants on the long-term debt (including debt to tangible net worth, current assets to current liabilities, capital and debt service ratios). The Company is in breach of the capital expenditure covenant to which the bank has provided a letter waiving payment to April 1, 2012, with respect to these breaches; therefore the loans to the bank are not classified as a current liability.

Cash

As at March 31, 2011, the Company held $371,471 in cash, a decrease of $1,030,207 from March 31, 2010 primarily due to capital acquisitions made during fiscal 2011.

Working Capital

Working capital represents current assets less current liabilities. As at March 31, 2011, the Company had positive working capital of $5,504,078 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 due to the Company agreeing to lease a 135,000 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 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 (used in) provided by Operating activities

Cash used in operating activities for fiscal 2011 was ($154,940) representing a decrease of approximately $1,806,613 from cash provided by operating activities of $1,651,673 in fiscal 2010. The decrease in cash provided by operating activities mainly relates to increased trade and related party receivables, a decrease in deferred revenue and write-down on assets held for sale.

Cash used in Investing activities

Cash used in investing activities for fiscal 2011 of $1,165,939 relates mainly to the purchase of manufacturing equipment and leasehold improvements in the amount of $1,167,272. This amount compares to a net use of cash of $231,339 in fiscal 2010.

Cash provided by (used in) Financing activities

Cash provided by financing activities for fiscal 2011 was $290,671 compared to $1,470,385 for fiscal 2010. Cash used in financing activities for fiscal 2010 relates mostly to the repayment of amounts under the related party line of credit and demand loan and dividend payments to the Class A preferred shareholders.

Outlook

Fiscal 2011 concluded with a profit of $313,295 which included a write-down on assets disposed of and currently held for sale of $307,815 and inventory write-downs of $140,969. After the effects of the world economic decline during most of fiscal 2010, the Company saw most of its markets rebound during fiscal 2011. Although contracts have not yet reached the levels experienced in the 2009 fiscal year, the Company does expect continued growth into fiscal 2012.

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

The aerospace customers have began to show signs of life with increased orders.

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.

Related Party Transactions

Due from Related Party

Due from related party consists of $1,102,770 (2010 - $745,720) due from Spotton Corporation, a company controlled by Targa Group Inc. ("Targa"). Targa (the Company'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 on demand. The $357,050 change in the balance from fiscal 2010 relates to rent of $54,000 (2010 - $ 60,000) and utilities charges, advances and related interest.

Due to Related Party

As at March 31, 2011, a balance of $2,700,887 ($2,126,050 principal and $574,837 interest) remained owing to senior officers. These amounts are classified as long-term as the parties have agreed not to demand repayment before August 2012.

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. $10,000 of the dividend remains outstanding and is included above as dividends payable.

As at March 31, 2011 a balance of $247,672 (2010 - $247,672) of the due to related parties is convertible into common shares of the Company at a rate of $0.0115 at the option of the Targa. The balance is classified as long-term as the related party has agreed not to demand payment before August 2012.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $129,898 (2010 - $121,115) owing to this related party, amounted to $304,872 (2010 - $339,924). 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. The party has agreed not to demand repayment before August 2012 and the amount is classified as long-term.

The Company has a demand loan of up to $1,800,000 and a revolving line of credit of up to $1,000,000 with Targa. 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 March 31, 2011, $500,000, (2010 - $500,000) remained outstanding on the line of credit with accumulated interest of $105,570, (2010 - $102,937) for a balance of $605,570; $NIL was drawn against the revolving demand loan with accumulated interest owing of $66,581 for a balance of $66,581.Targa has agreed that it will not demand repayment before August 2012 and, accordingly, the amounts is classified as long-term.

Accumulated interest in the amount of $134,812 (2010 - $134,812), on a loan from Targa remains outstanding as of March 31, 2011. The party has agreed not to demand repayment before August 2012 and the amount is classified as long-term.

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

Other Contracts and Commitments

The following table provides a summary of the Company's obligations outstanding as at March 31, 2011:

Payments by period	Total	Current	2013	2014	2015	2016
Due to related parties - convertible debentures	**$ 247,672**	$ -	$ 247,672	$ -	$ -	$ -
Due to related Parties - other	**3,140,572**	-	3,140,572	-	-	-
Due to related party - line of credit	**605,570**	-	605,570	-	-	-
Due to related party - demand loan	**66,581**	-	66,581	-	-	-
Due to related party – lease payments	**1,710,027**	115,327	250,831	419,731	462,069	462,069
Long-term debt	**1,207,650**	764,287	90,771	41,200	41,200	270,192
	$ 6,978,072	$ 879,614	$ 4,401,997	$ 460,931	$ 503,269	$732,261

<u>Facilities</u>

The Company leased a 135,000 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 underway to sell the two buildings.

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

Basis of presentation

The consolidated financial statements include the accounts of Plaintree, Hypernetics and the Triodetic Group of Companies and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation.

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.

Property, plant and equipment and intangible assets

Property, plant and equipment are stated at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line method as follows:

Property, plant and equipment:	
Building	20 years
Building improvements	10 years
Factory equipment	10 years
Computer equipment	3 years
Office equipment and furniture	10 years
Vehicles	4 years
Outside compound	10 years
Intangible assets:	
Software	2 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 of 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 the carrying amount exceeds the estimated future cash flows.

Revenue recognition

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.

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 income 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.

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.

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 U.S. 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 exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year. Transaction gains or losses are included in income.

Stock option plans

The Company has a stock-based compensation plan. The Company uses the fair value based method of accounting to record stock-based payments to employees and non-employees. Under the fair value based method, compensation cost for both employees and non-employees is measured at fair value at the date of grant and is expensed over the award's vesting period. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

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

Income taxes

The Company's future income tax assets and liabilities are recognized for the future tax consequences attributable to tax loss carryforwards and to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or be settled to the extent that such assets are more likely than not to be realized. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment or substantive enactment. Future income tax assets are recognized to the extent it is more likely than not to be realized.

Earnings per share

Earnings per share has been calculated on the basis of net income attributable to common shareholders divided by the weighted average number of common shares outstanding during the year. Income attributable to common shareholders is equal to net income less the dividends accumulated on the preferred shares. Diluted earnings per common share is calculated by dividing the applicable net income attributable to common shareholders 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. The Company uses the treasury stock method in determining the denominator for earnings per share. Under this method it is assumed that the proceeds from the exercise of options are used to repurchase common shares at the weighted average market price of the shares for the period.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Held-for-trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheets date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held-for-trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held-for-trading assets. The Company has not designated any non-derivative financial liabilities as held-for-trading.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest rate method.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest rate method.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest rate method.

The Company has made the following classifications:

Cash is required to be classified as held-for-trading and is measured at fair value with changes in fair value recorded in net income. The carrying amount approximates fair value.

Trade accounts receivable and unbilled revenue are required to be classified as loans and receivables and accounts payable and accrued liabilities are required to be classified as other financial liabilities and are measured at amortized costs with interest accretion recorded in net income. Due to the short-term nature of these assets and liabilities, the carrying amounts approximate fair value.

All loans, bank loans, bonds and debentures or similar debt are measured at amortized cost with interest accretion recorded in net income.

RECENT ACCOUNTING PRONOUCEMENTS

New accounting policies

Future accounting changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has confirmed that the use of IFRS will be required commencing 2011 for publicly accountable, profit oriented enterprises. IFRS will be replacing current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its first fiscal year beginning after January 1, 2011 and will be required to provide information that conforms to IFRS for the comparative periods presented. Therefore, the Company will adopt IFRS as the basis of preparation for its interim and annual financial statements for periods beginning on April 1, 2011 with a transition date of April 1, 2010 to allow for comparative financial information. IFRS uses a conceptual framework similar to current Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In addition, it is expected that IFRS in effect at the time of reporting the Company’s first IFRS financial statements will evolve from current IFRS and may result in differences. In preparation for the conversion of IFRS, the Company has developed an IFRS transition plan. This plan addresses key elements of the Company’s conversion to IFRS including accounting policy changes and financial reporting requirements, education and training, impacts on the business activities including information technology and data collection systems, internal controls over financial reporting and disclosure controls and procedures.

Our conversion to IFRS initiative is lead by the Chief Financial Officer who reports regularly to the Chief Executive Officer. The Chief Financial Officer also reports quarterly to the Audit Committee of the Board of Directors on the status of the project and the implications of the changeover to IFRS.

During fiscal 2011, the following activities were performed:

- A detailed assessment was substantially completed for all key standards and significant accounting policy choices including IFRS 1 elective exemption choices using IFRS standards in effect on date of transition;

- A system of tracking all adjusting IFRS entries for the Company’s opening balance sheet and throughout the Company’s dual reporting period of April 1, 2010 to March 31, 2011;

- A detailed assessment was performed of required changes to internal controls. Management concluded that internal controls applicable to the Company’s reporting process under Canadian GAAP are fundamentally the same as those required in the Company’s IFRS reporting environment;

- A detailed assessment was performed and minimal changes to disclosure controls and procedures were identified. Disclosure controls and procedures have been updated to include all data required for financial statements disclosures under IFRS:

- Key finance employees responsible to carry out the IFRS conversion were provided with adequate training and resources throughout this process. The Audit Committee is also appraised quarterly on IFRS standards and policy choices available to the Company.

For fiscal 2012 the following activities are in progress:

- Monitor standards to be issued by the IASB and provide the related training on such. Assess the impact of new IASB standards on the Company's opening balance sheet and its financial position and results of operations throughout the conversion period;

- Complete the data collection and finalize the assessment of the impact of adopting IFRS. Data collection for each quarter in fiscal 2012 is performed shortly following the closing of each quarter under Canadian GAAP;

- Complete the necessary work required to quantify the impact of the changeover to IFRS on the Company's financial position and result of operations at date of transition and affecting the comparative year 2011 and the first reporting comparative information in 2012;

- Prepare fiscal 2011 quarterly financial statements under IFRS standards, in preparation for reporting comparative information in 2012; the Company's first year of reporting under IFRS.

Many of the differences identified between IFRS and Canadian GAAP have not been quantified. We have not yet prepared a full set of annual financial statements under IFRS: therefore, amounts are unaudited. Based on the Company's work to date, we do not expect that the conversion of IFRS will result in a significant impact on the financial position or results of operations of the Company and believe that the areas of higher potential impact will be around overall presentation and disclosure requirements. However, our assessment of the impacts of certain potential differences will not be finalized until the Company has prepared a full set of annual financial statements under IFRS, the future impacts of converting to IFRS will depend on the particular circumstances prevailing in those years.

Summary of Outstanding Share Data

As at July 14, 2011, 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 March 31, 2011, 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 560,000 common shares

*** The options, having exercise prices of $0.12, 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.

SUBSEQUENT EVENT

On May 3, 2011 the Company filed a Form 15F with the United States Securities and Exchange Commission (the "SEC") with the intention of voluntarily terminating its reporting obligations under Section 13(a) and Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). On the filing of the Form 15, Plaintree's reporting obligations with the SEC under the Exchange Act, including its obligations to file annual reports on Form 20-F, were immediately suspended. Plaintree's termination of its reporting obligations under the Exchange Act will be final 90 days after the filing of the Form 15F with the SEC, unless the SEC issues an objection.

On July 14, 2011, 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 22, 2011 to the holders of record at the close of business on July 18, 2011. 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