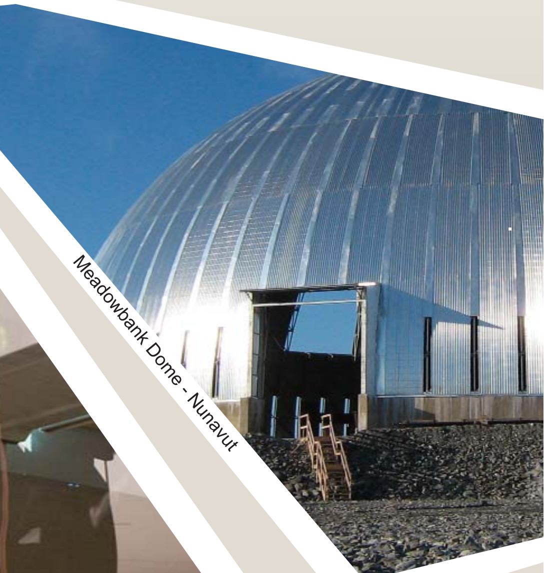
PLAINTREE SYSTEMS INC.

Q1 Report


Electromagnetic & Flag Failure Indicators - Hypernetics

NASA Research Base, Plaintree Systems - WAVEBRIDGE


Meadowbank Dome - Nunavut


Methodist Hospital - Texas, USA


Electromagnetic Devices- Hypernetics

2011

HYPERNETICS

TRIODETIC*

“Notice to Reader”

The accompanying unaudited interim consolidated financial statements of Plaintree Systems Inc. for the three months ended June 30, 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: August 25, 2010

“David Watson”

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David Watson
CEO

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

	June 30 2010	March 31 2010
	(unaudited)	(audited)
Current assets		
Cash	$ 825,119	$ 1,401,678
Trade accounts receivable, net of allowance for doubtful accounts of $nil (2010 - $nil)	2,547,264	1,381,245
Unbilled revenue	619,144	670,891
Inventories	1,399,665	1,377,474
Prepaid expenses and other receivables	56,133	160,662
Due from related party (Note 3)	757,954	745,720
	6,205,279	5,737,670
Property, plant and equipment, net	2,940,528	2,967,206
Intangible assets	59,747	46,675
	$ 9,205,555	$ 8,751,551
Current liabilities		
Accounts payable and accrued liabilities	$ 966,352	$ 1,078,502
Deferred revenue	715,943	742,374
Due to related parties - other - current portion (Note 5)	150,000	-
Long term debt - current portion (Note 9)	180,610	180,610
	2,012,905	2,001,486
Due to related parties - convertible debentures (Note 6)	247,672	247,672
Due to related parties - other (Note 7)	2,900,303	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)	819,088	855,844
	6,150,708	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	51,180	46,028
Equity component of convertible debentures	864,854	864,854
Deficit	(95,705,839)	(96,609,600)
	3,054,847	2,145,934
	$ 9,205,555	$ 8,751,551

PLAINTREE SYSTEMS INC.

Consolidated Statements of Net Income and Comprehensive Income
for the three months ended June 30, 2010 and 2009
(in Canadian dollars)

	Three Months Ended June 30,	
	2010	**2009**
	(unaudited)	**(unaudited)**
Revenue		
Product revenue	$ 3,707,332	$ 2,897,013
Management services revenue	-	51,350
	3,707,332	2,948,363
Cost of revenue		
Cost of products sold	1,805,952	1,679,394
Cost of services	-	13,910
	1,805,952	1,693,304
Gross margin	1,901,380	1,255,060
Operating expenses		
Sales and marketing	180,310	130,364
Finance and administration	249,949	274,737
Research and development	450,002	370,631
Interest expense	23,274	42,408
(Gain) loss on foreign exchange	(105,917)	328,967
	797,618	1,147,107
Income from operations	1,103,762	107,953
Net income and comprehensive income	1,103,762	107,953
Cummulative dividends on preferred shares	366,500	366,500
Net income (loss) attributable to common shares	$ 737,262	$ (258,547)
Basic (loss) earnings per share	$ 0.06	$ (0.02)
Diluted (loss) earnings per share '	$ 0.06	$ (0.02)
Weighted average common shares outstanding - basic	12,925,253	12,925,253
Weighted average common shares outstanding - diluted	12,925,253	12,925,253

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

	Three Months Ended June 30,	
	2010	**2009**
Operating		
Net income	$ 1,103,762	$ 107,953
Items not affecting cash:		
Amortization of property, plant and equipment	91,721	85,665
Interest and accretion on convertible debentures	-	3,694
Interest on due to related party - line of credit	1,223	7,198
Interest on due to related party - demand loan	-	3,222
Stock-based compensation expense	5,152	1,449
Changes in non-cash operating working capital	(1,182,752)	371,255
	19,105	580,436
Investing		
Purchases of property, plant and equipment	(78,116)	(65,491)
Financing		
Repayment of long term debt	(36,756)	(35,819)
Increase of related parties - other	69,207	16,954
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)	-
	(517,549)	(790,374)
NET CASH OUTFLOW	(576,559)	(209,939)
Cash, beginning of period	1,401,678	1,451,729
Cash, end of period	$ 825,119	$ 1,241,790

PLAINTREE SYSTEMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30, 2010
(Unaudited)

1. Basis of Presentation

On April 1, 2008, Plaintree Systems Inc ("Plaintree") acquired Hypernetics Ltd ("Hypernetics") and 4439112 Canada Inc, which through a wholly-owned subsidiary, owned all the share capital of Triodetic Building Products Ltd and other subsidiaries the ("Triodetic Group of Companies"). Immediately following the completion of the acquisition, Plaintree amalgamated the businesses of Hypernetics and 4439112 Canada Inc. into Plaintree (the "Company"). The Company operates its businesses through two divisions: Specialty Structures (former business of the Triodetic Group of Companies) and Electronics (former business of Hypernetics and FSO business of Plaintree).

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.

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.

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 expects to make changes to processes and system before the end of 2011 fiscal year, in time to enable the Company to record transactions under IFRS. Training and additional resources will be utilized to ensure 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.

3. Due from related parties

Due from related parties at June 30, 2010 consists of $757,954 (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. Line of credit

The Company has a $1M operating bank 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.

5. 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. $150,000 of the dividend remains outstanding and is included above as Due to related parties – other.

6. Due to related parties - convertible debentures

The balance of the convertible debenture debt outstanding as at June 30, 2010 was $247,672 (March 31, 2010 - $247,672). The convertible debentures balance of $247,672 outstanding as at June 30, 2010 consists of accumulated interest only which does not bear further interest.

7. Due to related parties – other – long-term

	June 30, 2010 (unaudited)	March 31, 2010 (audited)
Due to Senior Officers	**$2,452,318**	$2,356,361
Due to Tidal Quality Management Inc.	**313,173**	339,924
Due to Targa Group Inc.	**134,812**	134,812
	$2,900,303	$ 2,831,097

As at June 30, 2010, a balance of $2,452,318 ($2,356,361 on March 31, 2010) consisting of $1,953,810 of principal ($1,878,335 on March 31, 2010) and interest of $498,508 ($478,026 on March 31, 2010) remained owing to senior officers.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $123,303 (March 31, 2010 - $121,115) owing to this related party, amounted to $313,173 (March 31, 2010 - $339,924).

On April 1, 2008, the principal of $310,386 on a loan from Targa was repaid. 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 June 30, 2010.

These amounts are recorded in Due to related parties – other – long-term as the parties have agreed not to demand repayment before August 2011.

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 June 30, 2010, $nil remained outstanding on the line of credit with accumulated interest of $104,149; $nil was drawn against the revolving demand loan with accumulated interest owing of $66,581. Targa has agreed that it will not demand repayment before August 2011 and, accordingly, the amounts are being shown as long term.

9. Long-term debt

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.	**$140,905**	$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.	**463,406**	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.	**126,200**	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.	**29,801**	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.	**$239,386**	246,689
	999,698	1,036,454
Current portion	**(180,610)**	(180,610)
	$ 819,088	$ 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 April 1, 2008, the Company completed a 10 for 1 consolidation of its common shares.

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

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

12. Segmented Information

The Company's chief decision maker, the Chief Executive Officer, tracks the Company's operations as 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 June 30, 2010 and June 30, 2009 are presented in the statement of operations.

PLAINTREE SYSTEMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30, 2010
(Unaudited)

Revenues by division

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)
Electronics	**$ 858,250**	$ 1,327,689
Specialty Structures	**2,849,082**	1,620,675
Total revenue	**$ 3,707,332**	$ 2,948,363

Income (loss) by division

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)
Electronics	**$ 184,949**	$ (42,224)
Specialty Structures	**918,813**	150,176
Total net income	**$1,103,762**	$ 107,953

Revenue by geographical location

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)
Management Service revenue		
Canada	**$ -**	$ 51,350
Product Revenue		
Canada	**1,051,792**	611,108
United States	**1,586,109**	2,232,782
Chile	**753,524**	-
Other	**315,907**	53,123
Total product revenue	**3,707,332**	2,897,103
Total revenue	**$ 3,707,332**	$ 2,948,363

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

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)
Number of customers	**3**	2
% of total revenue	**44%**	55%

"Notice to Reader"

The Management Discussion and Analysis of Plaintree Systems Inc. for the three months ended June 30, 2010 has been re-filed to correct the date of the report only.

Date: August 27, 2010

"David Watson"

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David Watson
CEO

PLAINTREE SYSTEMS INC.

For the three months ended June 30, 2010

Date – August 25, 2010

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

The following discussion of the financial condition, changes in financial condition and results of operations of Plaintree for the three months ended June 30, 2010 and 2009 should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes for the three months ended June 30,2010 (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 historically developed and manufactured the WAVEBRIDGE series of free space optics (FSO) wireless links providing high-speed network connections for various companies.

On April 1, 2008, Plaintree Systems Inc ("Plaintree") acquired Hypernetics Ltd. ("Hypernetics") and 4439112 Canada Inc. which, through a wholly-owned subsidiary, owned all the share capital of Triodetic Building Products Ltd. and other subsidiaries, the ("Triodetic Group of Companies"), the ("Acquisition"). Under this agreement, Plaintree issued 9,000 Class A preferred shares to acquire all of the outstanding shares of Hypernetics and paid $1,500,000 in cash and issued 3,500,000 common shares and 9,325 Class A preferred shares for all of the outstanding shares of 4439112 Canada Inc.. Immediately following the completion of the Acquisition, Plaintree amalgamated the businesses of Hypernetics and 4439112 Canada Inc., into Plaintree (the "Company"). The Company operates its business through two divisions: Specialty Structures (former business of the Triodetic Group of Companies) and Electronics (former business of Hypernetics and FSO business of Plaintree).

Hypernetics was established in 1972 and was a manufacturer of avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids, high purity valves and permanent magnet alternators. The legacy Hypernetics and Plaintree FSO businesses are now managed as the Electronics division of Plaintree.

The Triodetic Group of Companies had over 40 years of experience as a design/build manufacturer of steel, aluminum and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings. The legacy Triodetic business is managed as the Specialty Structures division of Plaintree.

The total purchase price for both Hypernetics and the Triodetics Group of Companies was paid by the Company with a combination of $1,500,000 cash, the issuance of 3,500,000 common shares of the Company and the issuance of 18,325 Class A preferred shares of the Company (having a redemption value of $18,325,000). The Class A Preferred Shares are non-voting, have a redemption value of $1,000 per share, are entitled to cumulative dividends of 8% per year, are redeemable at any time at the option of Plaintree and have a liquidation preference equal to their redemption value plus any cumulative dividends accrued but not paid in priority to the common shares.

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

The Company's common shares are quoted on the CNSX 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 months ended June 30, 2010.

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

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

	For the three months ended June 30,	
	2010 (unaudited)	**2009 (unaudited)**
Revenue	$ 3,707	$ 2,948
Operating income/(loss)	1,104	108
Net income/(loss)	1,104	108
Net income/(loss) attributable to common shareholders	737	(259)
Basic income (loss) per share	$0.06	($0.02)
Diluted income (loss) per share	$0.06	($0.02)

Balance Sheet Data
($000s)

	As at June 30, 2010 (unaudited)	**As at March 31, 2010 (audited)**
Total assets	$9,206	$ 8,752
Total liabilities	6,151	6,606
Long-term liabilities	4,138	4,604
Cash dividends declared per share	$200	$200

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

Results of Operations

	Plaintree Systems Inc. ($000s, except per share and % amounts) (unaudited) Three Months Ended June 30,		Change from 2009 to 2010
	2010	2009	
Management services revenue – related party	$ -	$ 51	$ (51)
Product and service	3,707	2,897	(810)
Total revenue	3,707	2,948	759
Cost of revenue	1,806	1,693	113
Gross margin	1,901	1,255	646
	51.3%	42.6%	
Operating expenses:			
Sales & marketing	180	130	50
Finance & administration	250	275	(25)
Research & development	450	371	79
Interest expense	23	42	(19)
Gain on foreign exchange	(106)	329	(435)
	797	1,147	(350)
Income from operations	1,104	108	996
Net income	$ 1,104	$ 108	$996

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.

Revenue by geographical location

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)
Management Service revenue		
Canada	**$ -**	$ 51,350
Product Revenue		
Canada	**1,051,792**	611,108
United States	**1,586,109**	2,232,782
Chile	**753,524**	-
Other	**315,907**	53,123
Total product revenue	**3,707,332**	2,897,103
Total revenue	**$ 3,707,332**	$ 2,948,363

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)
Revenues by division		
Electronics	**$ 858,250**	$ 1,327,689
Specialty Structures	**2,849,082**	1,620,675
Total revenue	**$ 3,707,332**	$ 2,948,363

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Income (loss) by division		
Electronics	**$ 184,949**	$ (42,224)
Specialty Structures	**918,813**	150,176
Total net income	**$1,103,762**	$ 107,953

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

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)
Number of customers	**3**	2
% of total revenue	**44%**	55%

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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 three months of 2011 from $51,350 in first quarter of 2010. 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 the three months ended June 30, 2010 was $3,707,332 compared to $2,897,013 for the three months ended June 30, 2009.

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

Plaintree's Specialty Structures Division experienced continued increased activity in the 1st quarter of fiscal 2011 and expects that the Specialty Structure sales will increase during fiscal 2011, compared to fiscal 2010.

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 the first half of 2011.

Gross Margin

Total gross margin increased to 51.3% in the three months ended June 30, 2010 from 42.6% for the three months ended June 30, 2009. The completion of several large projects and the consumption in the first three months of inventory revalued to market cost in fiscal 2010, contributed to increased margin for this period.

Operating Expenses

Sales and marketing expenses

Sales and marketing expenses were $180,310 and $130,364 in the three months ended June 30, 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 throughout fiscal 2011.

Finance and administration expenses

Finance and administrative expenses were $249,949 and $274,737 in the three months ended June 30, 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.

Research and development expenses

Research and development expenses were $450,002 and $370,631 in the three months ended June 30, 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 throughout fiscal 2011.

Interest expense

Interest expense consists of interest incurred on bank and related party debt. Interest expenses were $23,274 and $42,408 for the three months ended June 30, 2010 and 2009, respectively. Interest expense decreased in the 2011 due to the repayment of an interest bearing related party debt and a decrease in the prime lending rate of interest charged by the Company's banker. 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 gain on foreign exchange of $105,917 and a loss of $328,967 in the three months ended June 30, 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 10% drop in the US rate of exchange from the start to the close of the first three months of fiscal 2010 resulted in a large loss on foreign exchange.

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

Net income and comprehensive income for the three months ended June 30, 2010 was $1,103,762 compared to $107,953 observed in the first three months ended June 30, 2009. Net income attributed to common shareholders is calculated by reducing net income by the $366,500 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 June 30, 2010, the accrued and unpaid dividends on the Class A preferred shares were $2,698,500.

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)

	June 30 2010	Sept 30 2010	Dec 31 2009	Mar 31 2009	June 30 2009	Sept 30 2009	Dec 31 2008	Mar 31 2008
Revenue	$3,707	$3,425	$1,203	$1,615	$2,948	$4,582	$4,932	$5,044
Inc./(loss) from operations	$1,104	$(169)	$(718)	$(444)	$108	$928	$761	$1,657
Net income/(loss)	$1,104	$(240)	$(718)	$(444)	$108	$913	$761	$1,657
Net income/(loss) attributed to common shareholders	$737	$860	$(1,085)	$(810)	$(259)	$546	$395	$1,290
Net income/(loss) per share-basic	$0.06	$0.07	$(0.08)	$(0.06)	$(0.02)	$0.04	$0.03	$0.10
Net income/(loss) per share-diluted	$0.06	$0.07	$(0.08)	$(0.06)	$(0.02)	$0.04	$0.03	$0.10

Liquidity and Capital Resources

($000s)	**As at June 30, 2010 (unaudited)**	**As at March 31, 2010 (audited)**	**Change**
Cash	**$ 825**	$ 1,402	$ (577)
Working Capital	**4,192**	3,736	456

	Three months ended June 30, 2010 (unaudited)	Three months ended June 30, 2009 (unaudited)	Change
Net cash provided by (used in):			
Operating activities	**19**	**580**	(561)
Investing activities	**(76)**	**(65)**	(11)
Financing activities	**(518)**	**(790)**	272

Cash

As at June 30, 2010, the Company held $825,119 in cash, a decrease of $576,559 from March 31, 2010 primarily due to an increase in trade receivables.

Working Capital

Working capital represents current assets less current liabilities. As at June 30, 2010, the Company had positive working capital of $4,192,374 compared to working capital of $3,736,184 at March 31, 2010. The increase in working capital was primarily due to an increase in accounts receivable.

Cash provided by Operating activities
Cash provided by operating activities for the first quarter of fiscal 2011 was $19,105 representing a decrease of approximately $561,331 from $580,436 in fiscal 2010. The decrease in cash provided by operating activities mainly relates to the increase in trade receivables.

Cash used in Investing activities
Cash used in investing activities for the first quarter of fiscal 2011 was $78,116 compared to a net use of $65,491 which relates mainly to the purchase of fixed assets.

Cash used in Financing activities
Cash used in financing activities for fiscal 2011 was $517,549 compared to cash used in financing activities for the first quarter of 2010 of $790,374. Cash used in financing activities relates mostly to the repayment of amounts under the related party line of credit and demand loan.

Outlook

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 quarter 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 throughout fiscal 2011.

The aerospace customers that ceased almost all orders in the past year, have now begun to show signs of life and are resuming their regular 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 a better year 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.

Related Party Transactions

Due from Related Party

Due from related parties at June 30, 2010 consists of $757,954 (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

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. $150,000 of the dividend remains outstanding and is included above as Due to related parties – other.

The balance of the convertible debenture debt outstanding as at June 30, 2010 was $247,672 (March 31, 2010 - $247,672). The convertible debentures balance of $247,672 outstanding as at June 30, 2010 consists of accumulated interest only which does not bear further interest.

	June 30, 2010 (unaudited)	March 31, 2010 (audited)
Due to Senior Officers	**$2,452,318**	$ 2,356,361
Due to Tidal Quality Management Inc.	**313,173**	339,924
Due to Targa Group Inc.	**134,812**	134,812
	$2,900,303	$ 2,831,097

As at June 30, 2010, a balance of $2,452,318 ($2,356,361 on March 31, 2010) consisting of $1,953,810 of principal ($1,878,335 on March 31, 2010) and interest of $498,508 ($478,026 on March 31, 2010) remained owing to senior officers.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $123,303 (March 31, 2010 - $121,115) owing to this related party, amounted to $313,173 (March 31, 2010 - $339,924).

On April 1, 2008, the principal of $310,386 on a loan from Targa was repaid. 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 June 30, 2010.

These amounts are recorded in Due to related parties – other – long-term as the parties have agreed not to demand repayment before August 2011.

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 June 30, 2010, $nil remained outstanding on the line of credit with accumulated interest of $104,149; $nil was drawn against the revolving demand loan with accumulated interest owing of $66,581. Targa has agreed that it will not demand repayment before August 2011 and, accordingly, the amounts are being shown as long term.

Facilities

The Company owns facilities consisting of 37,000 square feet of plant and office space, located in Arnprior, Ontario.

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 June 30, 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 June 30, 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.