PLAINTREE SYSTEMS INC.

CONSOLIDATED FINANCIAL STATEMENTS
Q3- 2010

VAL D'OR DOME - QUEBEC, CANADA

STRONG MUSEUM ROCHESTER, NEW YORK

TORNADO WATER SLIDE - CHIMELONG, CHINA

FOR THE NINE MONTHS ENDED
DECEMBER 31, 2009
(UNAUDITED)

HYPERNETICS

TRIODETIC*

“Notice to Reader”

The accompanying unaudited interim consolidated financial statements of Plaintree Systems Inc. for the nine months ended December 31, 2009 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 26, 2010

“David Watson”

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David Watson
CEO

PLAINTREE SYSTEMS INC.

Consolidated Balance Sheets

(in Canadian dollars)

	December 31, 2009 (unaudited)	March 31 2009 (audited)
Current assets		
Cash	$ 849,171	$ 1,451,729
Trade accounts receivable, net of allowance for doubtful accounts of $nil (2009 - $98,560)	871,717	2,617,523
Unbilled revenue	630,555	890,924
Inventories	2,510,197	2,862,871
Prepaid expenses and other receivables	99,528	89,529
Due from related parties (Note 3)	640,712	313,579
	5,601,881	8,226,155
Property, plant and equipment, net	3,045,734	3,145,419
	$ 8,647,615	$ 11,371,574
Current liabilities		
Accounts payable and accrued liabilities	$ 819,608	$ 1,582,234
Deferred revenue	46,538	159,042
Due to related parties - other - current portion (Note 6)	203,728	194,028
Due to related parties - convertible debentures - current portion (Note 5)	-	176,009
Long term debt - current portion (Note 9)	142,680	174,611
	1,212,554	2,285,924
Due to related parties - convertible debentures (Note 5)	247,672	247,672
Due to related parties - other (Note 7)	2,733,420	2,491,172
Due to related parties - line of credit (Note 8)	1,078,246	1,056,653
Due to related parties - demand loan (Note 8)	61,314	829,601
Long term debt (Note 9)	930,434	1,006,616
	6,263,640	7,917,638
Shareholders' equity		
Share capital (Note 10)		
Preferred shares 18,325 outstanding;	1	1
Common shares 12,925,253 outstanding; (March 31, 2009 - 12,522,143)	97,766,444	97,586,741
Additional paid in capital	44,579	40,232
Equity component of convertible debentures	943,061	943,061
Deficit	(95,923,035)	(94,669,024)
Accumulated other comprehensive loss	(447,075)	(447,075)
	2,383,975	3,453,936
	$ 8,647,615	$ 11,371,574

APPROVED BY THE BOARD:

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PLAINTREE SYSTEMS INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Three and nine months ended December 31, 2009 and 2008
(in Canadian dollars)

	Three months ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Product and service revenue	$ 1,203,410	$ 4,880,039	$ 5,663,257	$ 16,716,443
Management services revenue	-	52,140	103,490	101,910
	1,203,410	4,932,179	5,766,747	16,818,353
Cost of revenue				
Cost of products sold	861,259	3,462,325	3,580,096	10,127,777
Cost of services	-	14,124	28,034	27,607
Write-down of inventories	45,282	-	45,282	-
	906,541	3,476,449	3,653,412	10,155,384
Gross margin	296,869	1,455,730	2,113,335	6,662,969
Operating expenses				
Sales and marketing	147,939	214,152	394,180	773,004
Finance and administration	362,547	406,301	955,950	1,122,547
Research and development	413,692	384,123	1,135,311	1,179,735
Interest expense	31,365	50,313	93,417	193,275
(Gain) Loss on foreign exchange	59,596	(360,183)	588,490	(422,874)
	1,015,138	694,706	3,167,347	2,845,687
Profit (Loss) from operations	(718,269)	761,024	(1,054,012)	3,817,282
Income tax benefit	-	-	-	113,906
Net income (loss) and comprehensive income (loss)	(718,269)	761,024	(1,054,012)	3,703,376
Cummulative dividends on preferred shares	366,500	366,500	1,099,500	1,099,500
Net income (loss) attributable to common shares	$ (1,084,769)	$ 394,524	$ (2,153,512)	$ 2,603,876
Basic earnings (loss) per share	($0.08)	$0.03	($0.17)	$0.23
Diluted earnings (loss) per share	($0.08)	$0.03	($0.17)	$0.21
Weighted average common shares outstanding - basic	12,925,253	12,522,143	12,790,883	12,522,143
Weighted average common shares outstanding - diluted	12,925,253	13,374,581	12,790,883	13,243,689

PLAINTREE SYSTEMS INC.
Consolidated Statements of Cash Flows
for the three and nine months ended December 31 2009 and 2008
(in Canadian dollars)

	Three months ended December 31		Nine months ended December 31	
	2009	**2008**	**2009**	**2008**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating				
Net (loss) income	$ (718,269)	$ 761,024	$ (1,054,012)	$ 3,931,188
Items not affecting cash:				
Write-off of inventories	45,282	-	45,282	-
Amortization of property, plant and equipment	88,857	115,915	257,067	358,438
Gain/loss on disposal of property, plant and equipment	17,343	-	17,343	-
Interest on due to related party - other	-	29,863	3,694	128,873
Interest on due to related party - line of credit	7,198	14,718	21,593	48,468
Interest on due to related party - demand loan	-	5,730	3,222	28,875
Stock-based compensation expense	1,449	1,448	4,347	38,782
Changes in non-cash operating working capital	(227,916)	(874,191)	1,101,306	(1,172,109)
	(786,056)	54,507	399,842	3,362,515
Investing				
Purchases of property, plant and equipment	(28,746)	(164,721)	(183,225)	(830,518)
Proceeds from disposal of property, plant and equipment	8,500	-	8,500	-
	(20,246)	(164,721)	(174,725)	(830,518)
Financing				
Distributions to shareholders	-	-	-	(1,500,000)
Increase in long term debt	-	(33,218)	-	228,904
Repayment of long term debt	(36,279)	-	(108,113)	(21,503)
Repayment of related parties - convertible debentures	-	-	-	(1,340,240)
Increase (repayment) of related parties - other	56,492	(166,906)	251,947	(2,399,963)
Increase of related parties - line of credit	-	-	-	1,000,000
(Repayment) increase due to related parties - demand loan	-	400,000	(771,509)	794,411
Dividends on preferred shares	-	-	(200,000)	-
	20,213	199,876	(827,675)	(3,238,391)
NET CASH INFLOW (OUTFLOW)	(786,089)	89,662	(602,558)	(706,394)
Cash, beginning of period	1,635,260	963,152	1,451,729	1,759,208
Cash, end of period	$ 849,171	$ 1,052,814	$ 849,171	$ 1,052,814

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., which 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, 2009. 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, 2009.

Inventories

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

The adoption of CICA 3031 does not constitute a change in the Company's accounting policy. The cost of inventories recognized as expense during the nine month period ended December 31, 2009 and 2008 were $3,333,885 and $9,051,131 respectively. All of the carrying value of inventory is pledged as security under the bank operating lines (Note 4) at December 31, 2009.

Property, plant and equipment

Property, plant and equipment are stated at cost. Amortization is provided using the Straight Line Method:

Software	2 years
Computer equipment	3 years
Vehicles	4 years
Factory equipment	10 years
Office equipment and furniture	10 years
Building Improvements	10 years
Outside compound	10 years
Building	20 years

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

Revenue recognition and warranties

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

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

Revenue on fixed-price contracts is recognized based on the estimated percentage of completion of services rendered that reflects the extent of work accomplished. Management estimates the percentage-of-completion by reference to measures of performance that are reasonably determinable and are directly related to the activities critical to completion of the contract. The Company uses this method of revenue recognition as projected contract revenue and costs may reasonably be estimated based on the Company’s business practices, methods and historical experience. This method requires estimates of costs and profits over the entire term of the contract. Management regularly reviews underlying estimates of project profitability; revisions to estimates are reflected in the statement of earnings in the

period in which the facts that give rise to the revision become known. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured as the amount by which the estimated costs of the contract exceed the estimated total revenue from the contract.

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

Foreign currency translation

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

The accounts of the Company's wholly owned US subsidiary, which is considered to be an integrated foreign operation, has been translated into Canadian dollars using the temporal method of foreign currency translation. Under this method, monetary assets and liabilities are translated at the rate 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 uses the fair value-based method to measure stock-based compensation for all stock-based awards.

Investment tax credits

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

Research and development expenditures

Current research costs are expensed as incurred. Expenditures for research and development equipment, net of related investment tax credits, are capitalized.
Development costs are deferred and amortized when the criteria for deferral under Canadian generally accepted accounting principles are met, or otherwise, are expensed as incurred. To date, no such costs have been capitalized.

Use of accounting estimates

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

Income taxes

The Company’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 sheet 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 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 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 method.

Loans and receivables

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

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 receivables 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.

3. Due from related parties

Due from related parties at December 31, 2009 consists of $640,712 (March 31, 2009, - $313,579) due from Spotton Corporation which is a company controlled by the CEO of the Company. The balances are due from related parties 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 - convertible debentures

The balance of the convertible debenture debt outstanding as at December 31, 2009 was $247,672 (March 31, 2009 - $423,681). In the nine months ended December 31, 2009, the convertible debentures accrued $3,694 of interest and $179,704 were converted into common shares. The convertible debentures balance of $247,672 outstanding as at December 31, 2009 consists of interest only.

6. Due to related parties – other – current portion

	December 31, 2009 (unaudited)	March 31, 2009 (audited)
Due to Senior Officers	**$ 43,728**	$ 44,028
Due to Shareholders (Dividends -Class A preferred shares)	**160,000**	150,000
	$ 203,728	$ 194,028

As of December 31, 2009, $43,728 (March 31, 2009 - $44,028) remained owing to a senior officer for past services. The amount outstanding is non-interest-bearing and payable on demand.

The board of directors of the Company declared a cash dividend of $10.914052 per Class A preferred share ($200,000 in the aggregate) payable on July 22, 2009 to the holders of record at the close of business on July 24, 2009. 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 in fiscal 2009. $160,000 of the dividend remains outstanding and is listed as dividends payable and included above as Due to shareholders.

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

	December 31, 2009 (unaudited)	March 31, 2009 (audited)
Due to Senior Officers	**$2,261,010**	$2,025,736
Due to Tidal Quality Management Inc.	**337,598**	330,624
Due to Targa Group Inc.	**134,812**	134,812
	$2,733,420	$ 2,491,172

As at December 31, 2009, a balance of $2,261,010 ($2,025,736 on March 31, 2009) consisting of $1,802,676 of principal ($1,622,167 on March 31, 2009) and interest of $458,334 ($403,569 on March 31, 2009) remained owing to senior officers.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $118,790 (March 31, 2009 - $111,816) owing to this related party, amounted to $337,598 (March 31, 2009 - $330,624).

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, 2009 - $134,812) which was included in Due to related parties – other – current portion on a loan from Targa remains outstanding as of December 31, 2009.

These amounts are recorded in Due to related parties – other – long-term as the parties have agreed not to demand repayment before March 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 December 31, 2009, $1,000,000 remained outstanding on the line of credit with accumulated interest of $78,246 for a balance of $ 1,078,246; $nil was drawn against the revolving demand loan with accumulated interest owing of $61,314 for a balance of $61,314. Targa has agreed that it will not demand repayment before March 2011 and, accordingly, the amounts are being shown as long term.

PLAINTREE SYSTEMS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended December 31, 2009
(Unaudited)

9. Long-term debt

	December 2009 (unaudited)	March 2009
Bank loan bearing interest at the rate of prime plus 1.25% per annum, accruing interest only until May 2008 and due in monthly principal payments of $4,080 from May 2008 through April 2013, secured by a general security agreement.	**$ 166,568**	$204,187
Bank loan bearing interest at the rate of prime plus 1.00% per annum, payable in monthly principal plus interest installments of $4,221, secured by a general security agreement, maturing May 2027.	**$ 480,467**	$505,684
Term loan payable in monthly installments of $1,007, bearing interest at the rate of prime plus 0.85% per annum, secured by a mortgage on a property, maturing February 2012.	**$ 131,339**	$138,925
Term loan payable in monthly installments of $1,929, bearing interest at the rate of prime plus 0.75% per annum, secured by equipment and a general security agreement, maturing December 2011.	**$ 40,740**	$56,865
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.	**$254,000**	$275,566
	$ 1,073,114	$1,181,227
Current Portion	**$ (142,680)**	(174,611)
	$ 930,434	$1,006,616

10. Share capital

Authorized
Unlimited number of preferred shares, issuable in series

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

Unlimited number of common shares

Pursuant to its acquisition of Hypernetics and Triodetic Group of Companies, 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.

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

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

On July 22, 2009, the board of directors of the Company declared a cash dividend of $10.914052 per Class A preferred share. 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 declared preferred share dividend of $200,000 was applied against shareholders' accumulated deficit.

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 December 31, 2009 and December 31, 2008 are presented in the statement of operations.

Revenue by division

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Electronics	**$ 487,584**	$ 1,357,773	**$ 2,599,993**	**$ 4,134,506**
Specialty Structures	**715,826**	3,574,406	**3,166,754**	**12,683,847**
Total revenue	**$ 1,203,410**	$ 4,932,179	**$ 5,766,747**	**$ 16,818,353**

Revenue by geographical location

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Management Service revenue				
Canada	**$ 0**	$ 52,140	**$ 103,490**	$ 101,910
Product Revenue				
Canada	**386,467**	2,619,253	**1,272,733**	8,414,047
United States	**795,815**	2,154,165	**4,284,773**	6,328,009
Other	**21,128**	106,621	**105,751**	1,974,387
Total product revenue	**1,203,410**	4,880,039	**5,663,257**	16,716,443
Total revenue	**$ 1,203,410**	$ 4,932,179	**$ 5,766,747**	$ 16,818,353

Net income (loss) by division

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Electronics	**$ (340,175)**	$ 71,772	**$ (517,219)**	**$ 693,664**
Specialty Structures	**(378,094)**	689,252	**(536,793)**	**3,009,712**
Total net income (loss)	**$ (718,269)**	$ 761,024	**$ 1,054,012)**	**$ 3,703,376**

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

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Number of customers	**2**	2	**2**	3
% of total revenue	**34%**	45%	**49%**	42%

13. Capital disclosures

The Company manages its capital, being cash, bank term and operating debt and related party debt, with the primary objective being safeguarding sufficient working capital to sustain operations and reducing the overall Company debt. The Company uses bank term debt to finance its capital purchases. The Board of Directors has not established capital benchmarks or other targets. The Company has available lines of credits with its bank that are subject to externally imposed covenants. As at December 31, 2009, the Company was in compliance with these covenants.

14. Financial instruments

These new sections 3862 (on disclosures) and 3863 (on presentation) replace Section 3861, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles for recognizing, measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and

equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Market risk

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

Currency risk

The Company is exposed to foreign exchange fluctuations against the Canadian dollar as sales are denominated in US dollars and other foreign currencies, while expenditures are primarily denominated in Canadian dollars. The Company did not use derivative financial instruments to manage this risk in the quarters ended December 31, 2009 and 2008. For the nine months ended December 31, 2009 and 2008, the Company had a foreign exchange loss of $588,490 and a gain of $422,874, respectively. A 10% change in the value of the Canadian dollar against the US dollar on the Company's US monetary assets as of December 31, 2009 would cause an approximate foreign exchange gain or loss of $135,000.

Interest risk

The Company's exposure to interest rate risk relates primarily to variable interest rates on bank and related party debt totaling $4,094,597. The variable interest rates range from prime less 0.85% to prime plus 2.00%. A 1% change in the bank prime interest rate causes a $40,946 change in annual interest expense. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

Credit risk

The Company provides credit to its customers in the normal course of operations. The Company sells its products primarily to large corporations. The Company has established credit evaluation, approval and monitoring processes to mitigate credit risk. The Company maintains a provision in allowance for doubtful accounts for anticipated bad debts. The Company has concentrated credit risk with three customers that accounted for 63% of its accounts receivable as at December 31, 2009. As at December 31, 2009 the Company's aging of accounts receivable was approximately 42% under sixty days, 13% over 60 days and 45% over 90 days and the allowance for doubtful accounts was $NIL.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's manages its liquidity risk by review on an ongoing basis its capital requirements.

While the Company had a net loss of approximately $1,054,000 for the nine months ended December 31, 2009, it was able to produce positive cash flows from operations, mostly by collecting its receivables and unbilled revenue.

As at December 31, 2009, the Company has a positive working capital and other long term related party debt including a line of credit and a demand loan. While the related parties have agreed not to demand the line of credit or the demand loan through at least March 2011, there is no assurance that they will delay beyond that.

Although it could not continue to sustain net losses indefinitely, the Company believes that it has sufficient working capital through to at least the next twelve months, assuming the related party liabilities are not demanded, to sustain operations.

Accounts payable and accrued liabilities

The Company accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date. As at December 31, 2009 over 83% of accounts that are payable are current.

Fair values

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

Other comprehensive income (OCI)

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

15. New accounting pronouncements

Goodwill and intangible assets

Effective April 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this policy did not have a material impact on the Company's financial statements and disclosure.

EIC 173

In January 2009, the CICA issued EIC 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which clarifies that the Company's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value for periods ending on or after the date of issuance of this Abstract. The Company concluded that this standard had no material impact on its financial statements upon adoption nor during the year.

Financial instruments

In August 2009, the CICA amended Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, which adds guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset of the held-for trading category. In addition, this Section has been amended to: change the categories into which a debt instrument is required or permitted to be reclassified and change the impairment model for held-to-maturity financial assets to the incurred credit loss model of impaired loans; and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008. The adoption of this new Section did not have a material impact on the Company's financial statements.

In June 2009, the CICA amended CICA Handbook Section 3862, *Financial Instruments - Disclosure*, which enhances disclosures about fair value measurements, including the relative reliability of the inputs used in those

measurements and expanded requirements regarding liquidity risk disclosure. The new guidance does not change the financial instruments measurement requirements of Section 3855, but amends the disclosure requirements, which are as a result of changes made to IFRS 7. The guidance applies to financial instruments measured at fair value on the balance sheet and establishes a hierarchy for each financial instrument on an individual basis. These amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009. The related disclosures are included in Note 14.

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 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.

PLAINTREE SYSTEMS INC.

For the three and nine month period ended December 31, 2009

Date – February 26, 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 and nine months ended December 30, 2009 and 2008 should be read in conjunction with the audited Consolidated Financial Statements and Notes for the fiscal year ended March 31, 2009 (the "Consolidated Statements") as well as Management's Discussion and Analysis, of Plaintree for the year ended March 31, 2009 ("Fiscal 2009 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 FSO wireless links providing high-speed network connections for various companies.

On April 1, 2008 the Company completed an acquisition (the "Acquisition") of all of the issued and outstanding share capital of (i) Hypernetics Limited ("Hypernetics"); and (ii) 4439112 Canada Inc. which owned all of the share capital of Triodetic Holdings Inc. and other subsidiaries including Triodetic Building Products Inc. (the "Triodetic Group of Companies"). Following the Acquisition, Hypernetics and 4439112 Canada Inc., including 4439112 Canada Inc.'s wholly-owned Canadian incorporated subsidiaries and excluding its US incorporated subsidiary, were amalgamated into Plaintree. The businesses of Hypernetics and the Triodetic Group of Companies are now being operated as separate divisions of Plaintree. See "Related Party Transactions – Acquisition of Hypernetics and the Triodetic Group of Companies" for additional information. Unless otherwise indicated, a reference to Plaintree or Company in this document shall be a reference to the amalgamated 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 business is 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 by the combination of $1,500,000 cash, the issuance of 3,500,000 common shares (35,000,000 pre-consolidation) of the Company and the issuance of 18,325 Class A preferred shares of the Company (having a redemption value of $18,325,000).

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

In addition to the Acquisition and subsequent to its fiscal 2008 year end on April 1, 2008, Plaintree also:

(a) created Class A preferred shares, which were issued as part of the consideration in the Acquisition. The Class A Preferred Shares are non-voting, have a redemption value of $1,000 per share, are entitled to cumulative dividends of 8% per year, are redeemable at any time at the option of Plaintree and have a liquidation preference equal to their redemption value plus any cumulative dividends accrued but not paid in priority to the common shares;

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

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

The Company's common shares are quoted on the CNSX in Canada. All references to common shares, options, warrants and per common share amounts for all periods presented herein have been retroactively restated to reflect the one for ten share consolidation

Selected Financial Information

The Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with Canadian GAAP, which also conform in all material respects with accounting principles generally accepted in the United States. The Consolidated Statements include the accounts of Plaintree, Hypernetics and the Triodetic Group of Companies.

The following table sets forth selected financial information from the Company's financial statements for the three and nine months ended December 31, 2009.

Statement of Operations Data

($000s, except per share data)	**For the three months ended December 31, (unaudited)**		**For the nine months ended December 31, (unaudited)**	
	2009	2008	**2009**	2008
Revenue	**$ 1,203**	$ 4,932	**$ 5,767**	$ 16,818
Operating income/(loss)	**(718)**	761	**(1,054)**	3,817
Net income/(loss) attributable to common shareholders	**(1085)**	395	**(2,154)**	2,604
Basic income/(loss) per share	**$ (0.08)**	$ 0.03	**$ (0.17)**	$ 0.23
Diluted income/(loss) per share	**$ 0.08)**	$ 0.03	**$ (0.17)**	$ 0.21

($000s)	**As at December 31, 2009 (unaudited)**	**As at March 31, 2009**
Total assets	$ 8,648	$ 11,372
Total liabilities	6,264	7,918
Long-term liabilities	5,051	5,632
Cash dividends declared per common share	Nil	Nil

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

Statements of Income (Loss) (unaudited)
($000s, except % amounts)

	Three Months Ended December 31,		Change from 2008 to 2009
	2009	2008	
Management services revenue – related party	$ 0	$ 52	$ (52)
Product and service	1,203	4,880	(3,677)
Total revenue	1,203	4,932	(3,729)
Cost of revenue	906	3,476	(2,570)
Gross margin	297	1,456	(1,159)
	24.7%	30%	
Operating expenses:			
Sales & marketing	148	214	(66)
Finance & administration	362	407	(45)
Research & development	414	384	30
Interest expense	31	50	(19)
(Gain)/loss on foreign exchange	60	(360)	420
	1015	695	320
Income/(loss) from operations	$ (718)	$ 761	$ (1,479)

	Nine Months Ended December 31,		Change from 2008 to 2009
	2009	2008	
Management services revenue – related party	$ 103	$ 102	$ 1
Product and service	5,663	16,716	(11,053)
Total revenue	5,766	16,818	(11,052)
Cost of revenue	3,653	10,155	(6,502)
Gross margin	2,113	6,663	(4,550)
	36.7%	39.6%	
Operating expenses:			
Sales & marketing	394	773	(379)
Finance & administration	956	1,123	(167)
Research & development	1,135	1,180	(45)
Interest expense	94	193	(99)
(Gain)/loss on foreign exchange	588	(423)	1,011
	3,167	2,846	321
Income (loss) from operations	$ (1,054)	$ 3,817	$ (4,871)

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 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 "**Structures Division**"). The revenue and cost of sales for the periods ending December 31, 2009 and December 31, 2008 are presented in the statement of operations.

Revenue by division

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Electronics	**$ 487,584**	$ 1,357,773	**$ 2,599,993**	**$ 4,134,506**
Specialty Structures	**715,826**	3,574,406	**3,166,754**	**12,683,847**
Total revenue	**$ 1,203,410**	$ 4,932,179	**$ 5,766,747**	**$ 16,818,353**

Revenue by geographical location

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Management Service revenue				
Canada	**$ 0**	$ 52,140	**$ 103,490**	$ 101,910
Product Revenue				
Canada	**386,467**	2,619,253	**1,272,733**	8,414,047
United States	**795,815**	2,154,165	**4,284,773**	6,328,009
Other	**21,128**	106,621	**105,751**	1,974,387
Total product revenue	**1,203,410**	4,880,039	**5,663,257**	16,716,443
Total revenue	**$ 1,203,410**	$ 4,932,179	**$ 5,766,747**	$ 16,818,353

Net income (loss) by division

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Electronics	**$ (340,175)**	$ 71,772	**$ (517,219)**	**$ 693,664**
Specialty Structures	**(378,094)**	689,252	**(536,793)**	**3,009,712**
Total net income (loss)	**$ (718,269)**	$ 761,024	**$ 1,054,012)**	**$ 3,703,376**

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

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	**Nine months ended December 31, 2009 (unaudited)**	Nine months ended December 31, 2008 (unaudited)
Number of customers	**2**	2	**2**	3
% of total revenue	**34%**	45%	**49%**	42%

Revenue

Total revenue for the nine months ended December 31, 2009 was $5,766,747 compared to $16,818,353 for the same period in fiscal 2009. Revenue decrease can be attributed to a weaker demand for all of the Company's product lines.

Gross Margin

Total gross margin decreased from 39.6% in the nine month period ended December 31, 2008 compared to 36.7% for the nine months period ended December 31, 2009. Excess manufacturing capacity and associated unabsorbed overheads is the primary reason for the decrease in gross margin. This trend is expected to continue for the remainder of fiscal 2010.

Operating Expenses

Sales and marketing expenses

Sales and marketing expenses were $394,180 and $773,004 in the nine months ended December 31, 2009 and 2008 respectively. These expenses consisted primarily of personnel and related costs associated with the Company's sales and marketing departments, which includes sales commission, advertising, travel, trade shows and other promotional activities. The reduction in sales and marketing salaries expenses is as a result of attrition, lower commissions and travel expenses in the first nine months of fiscal 2010.

Finance and administration expenses

Finance and administrative expenses were $955,950 and $1,122,547 in the nine months ended December 31, 2009 and 2008 respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which includes financial staff, legal and audit activities. The higher expenses in fiscal 2009 related to the additional costs associated with the amalgamation of the companies and listing of the Company's shares on the CNSX.

Research and development expenses

Research and development expenses were $1,135,311 and $1,179,735 in the nine months ended December 31 2009, and 2008 respectively. Research and development expenditures consist primarily of engineering personnel expenses and costs associated with development. Research and development costs are expected to remain consistent.

Interest expense

Interest expenses consist of interest incurred on bank and related party debt. The majority of the Company's debt accrues interest at variable rates based on bank prime interest and as a result of a general decrease in interest rates the Company's interest expense also decreased.

Gain on foreign exchange

The gain on foreign exchange represents the gain, realized or unrealized, of transactions completed in currencies other than the Canadian dollar, the Company's reporting currency. The Company is exposed to foreign exchange fluctuations against the Canadian dollar as sales are denominated in US dollars and other foreign currencies, while expenditures are primarily denominated in Canadian dollars. The foreign exchange loss of $588,490, the majority realized during the first six month of the fiscal year, is a result of a 21% drop in the US rate of exchange in the nine months ended December 31, 2009.

Income tax benefit

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

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

Net loss and comprehensive loss for the nine months ended December 31, 2009 was $2,153,512 compared to a net income of $2,603,876 observed in the first nine months ended December 31, 2008. Net income attributable to common shareholders is calculated by reducing net income by the $1,099,500 of cumulative dividends that accrued on the Class A preferred shares in each of the periods ending December 31, 2009 and December 30, 2008. The cumulative dividends accrue at 8% per annum on the face value of $18,325,000 and as of December 31, 2009, the accrued and unpaid dividends on the Class A preferred shares were $2,165,500, as compared to $1,099,500 as of December 30, 2008.

Quarterly Results

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

Quarters ended

(unaudited, in $000s except per share)

	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	June 30 2008	Mar 31 2008
	Q3-2010	Q2-2010	Q1-2010	Q4-2009	Q3-2009	Q2-2009	Q1-2009	Q4-2008
Revenue	**$1,203**	**$1,615**	**$2,948**	**$4,582**	**$4,932**	**$5,044**	**$6,842**	**$3,749**
Inc./(loss) from operations	**$(718)**	**$(444)**	**$108**	**$928**	**$761**	**$1,657**	**$1,400**	**($399)**
Net income/(loss)	**$(718)**	**$(444)**	**$108**	**$913**	**$761**	**$1,657**	**$1,514**	**($497)**
Net income/(loss) attributed to common shareholders	**$(1,085)**	**$(810)**	**($259)**	**$546**	**$395**	**$1,290**	**$1,147**	**($497)**
Net income/(loss) per share-basic	**$(0.08)**	**$(0.06)**	**($0.02)**	**$0.04**	**$0.03**	**$0.10**	**$0.09**	**($0.04)**
Net income/(loss) per share-diluted	**$(0.08)**	**$(0.06)**	**($0.02)**	**$0.04**	**$0.03**	**$0.10**	**$0.09**	**($0.04)**

Liquidity and Capital Resources

	Three months ended December 31, 2009 (unaudited)	Three months ended December 31, 2008 (unaudited)	Nine months ended December 31, 2009 (unaudited)	Nine months ended December 31, 2008 (unaudited)
Net cash provided by (used in):				
Operating activities	**$ (786,056)**	$ 54,507	**$ 399,842**	$3,362,515
Investing activities	**(20,246)**	(164,721)	**(174,725)**	(830,518)
Financing activities	**20,213**	199,876	**(827,675)**	(3,238,391)
Net cash provided by (used in):	**$ (786,089)**	$ 89,662	**$ (602,558)**	(706,394)

Cash

As at December 31, 2009, the Company held $849,171 in cash, a decrease of $602,558 from March 31, 2009.

Working Capital

Working capital represents current assets less current liabilities. As at December 31, 2009, the Company had positive working capital of $4,389,327 compared to $5,940,231 at March 31, 2008. The Company paid down amounts owing on the demand loan during the nine months ended December 31, 2009.

Cash provided by Operating activities

Cash provided by operating activities for the nine months ending December 31, 2009 was $399,842 compared to $3,362,515 for the first nine months of the prior fiscal year. Cash provided in operating activities for the first nine months of fiscal 2009 relates primarily to collection of accounts receivable and unbilled revenue.

Cash used in Investing activities

Cash used in investing activities for the first nine months of fiscal 2009 was $174,725 compared to $830,518 for the same period of the prior fiscal year. Cash used in investing activities relates to capital acquisitions and improvements.

Cash used in Financing activities

Cash used by financing activities for the first nine months of fiscal 2009 was $827,675 compared to $3,238,391 for the same period of the prior fiscal year. Cash used by financing activities in the first nine months of 2010 relates mostly to the repayment of related party demand loan principal. Cash used by financing activities in the first quarter of 2009 relates to the repayment of related party debt, distributions to shareholders offset by the addition of new related parties line of credit and demand loan.

While the Company had a net loss of approximately $1,054,000 for the nine months ended December 31, 2009, it was able to produce positive cash flows from operations. As at December 31, 2009, the Company has a positive working capital and other long term related party debt including a line of credit and a demand loan. While the related parties have agreed not to demand the line of credit or the demand loan through at least March 2011, there is no assurance that they will delay beyond that.

Although it could not continue to sustain net losses indefinitely, the Company believes that it has sufficient working capital through to at least the next twelve months assuming the related party liabilities are not demanded, to sustain operations.

Outlook

Since the completion of the Acquisition on April 1, 2008, the Company showed progress towards being able to fund its own operations from the revenue and positive cash flow from the operations of the combined companies. The Company has achieved net income of approximately $4.8 million and positive working capital of approximately $5.9 million during fiscal 2009. The results from the most recent nine months ended December 31, 2009 (fiscal 2010) were lower than the previous quarters since the completion of the Acquisition resulting in a net loss year to date of

$1,054,012. The Company attributes the loss to the reduced customer spending resulting from the global economic downturn. More specifically,

- the Specialty Structures division has seen many expected projects delayed indefinitely,
- the Electronics division has also been downwardly affected. The aerospace and telecommunication electronics products of this division have recently experienced several delays of existing orders and in some cases cancellations have occurred.

The Company continues to carry bank and related party debt. The Company has Class A preferred shares with a redemption value of $18,325,000 that accrue cumulative annual dividends of 8% or $1,466,000 per year in priority over distributions to common shareholders.

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 parties

Due from related parties at December 31, 2009 consists of $640,712 (March 31, 2009, - $313,579) due from Spotton Corporation which is a company controlled by the CEO of the Company. The balances are due from related parties on demand.

Due to related parties – convertible debentures

The balance of the convertible debenture debt outstanding as at December 31, 2009 was $247,672 (March 31, 2009 - $423,681). In the nine months ended December 31, 2009, the convertible debentures accrued $3,694 of interest and $179,704 were converted into common shares. The convertible debentures balance of $247,672 outstanding as at December 31, 2009 consists of interest only.

Due to related parties – other - current portion

		December 31, 2009 (unaudited)		March 31, 2009 (audited)
Due to Senior Officers	$	**43,728**	$	44,028
Due to Shareholders (Dividends - Class A preferred shares)		**160,000**		150,000
	$	**203,728**	$	194,028

As of December 31, 2009, $43,728 (March 31, 2009 - $44,028) remained owing to senior officers for past services. The amount outstanding is non-interest-bearing and payable on demand.

The board of directors of the Company declared a cash dividend of $10.914052 per Class A preferred share ($200,000 in the aggregate) payable on July 22, 2009 to the holders of record at the close of business on July 24, 2009. 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 is a partial payment of the dividends accumulated in fiscal 2009. $150,000 of the dividend remains outstanding is listed as dividends payable and is included above as Due to shareholders.

Due to related parties – other – long-term

	December 31, 2009 (unaudited)	March 31, 2009 (audited)
Due to Senior Officers	**$2,261,010**	**$ 2,025,736**
Due to Tidal Quality Management Inc.	**337,598**	**330,624**
Due to Targa Group Inc.	**134,812**	**134,812**
	$2,733,420	**$ 2,491,172**

As at December 31, 2009, a balance of $2,261,010 ($2,025,736 on March 31, 2009) consisting of $1,802,676 of principal ($1,622,167 on March 31, 2009) and interest of $458,334 ($403,569 on March 31, 2009) remained owing to senior officers. These amounts are recorded in Due to related parties – other – long-term as the parties have agreed not to demand repayment before December 2010.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $118,790 (March 31, 2009 - $111,816) owing to this related party, amounted to $337,598 (March 31, 2009 - $330,624). 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 December 2010 and is included in Due to related parties – other – long-term.

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, 2009 - $134,812) which was in Due to related parties – other – current portion on a loan from Targa remains outstanding as of December 30, 2009. The party has agreed not to demand repayment before December 2010 and the amount is included in Due to related parties – other – long-term.

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 30, 2009, $1,000,000 remained outstanding on the line of credit with accumulated interest of $78,246 for a balance of $ 1,078,246 ; $nil was drawn against the revolving demand loan with accumulated interest owing of $61,314 for a balance of $61,314.

Targa has agreed that it will not demand repayment before March 2011 and, accordingly, the amounts are being shown as long term

Other Contracts and Commitments

The following table provides a summary of the Company's obligations outstanding as at December 31, 2009:

	Payments due by period (unaudited)		
	Total	Less than 1 year	1-3 Years
Bank debt	$ 1,073,114	$ 142,680	$ 930,434
Due to related parties - other	2,733,420		2,733,420
Due to related parties - convertible debentures	247,672		247,672
Long term due to related parties - line of credit	1,078,246		1,078,246
Long term due to related parties - demand loan	61,314		61,314
	$ 5,193,766	$ 142,680	$ 5,051,086

Facilities

As a result of the completion of the amalgamation, the Company obtained facilities previously owned by Hypernetics Ltd consisting of 12,000 square feet and by the Triodetic Group of Companies consisting of 18,000 square feet of plant and office space, both located in Arnprior, Ontario. In addition, the Company has recently completed the construction of additional plant and office space at its facilities in Arnprior, Ontario, providing another 7,000 square feet.

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

Critical accounting policies

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

Revenue recognition and warranties

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

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

Revenue on fixed-price contracts is recognized based on the estimated percentage of completion of services rendered that reflects the extent of work accomplished. Management estimates the percentage-of-completion by reference to measures of performance that are (a) reasonably

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

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

Research and development costs

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

Inventories

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

Use of accounting estimates

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

Stock option plan

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

New accounting policies

Goodwill and intangible assets

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this policy did not have a material impact on the Company's financial statements and disclosure.

EIC 173

In January 2009, the CICA issued EIC 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which clarifies that the Company's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value for periods ending on or after the date of issuance of this Abstract. The Company concluded that this standard had no material impact on its financial statements upon adoption nor during the year.

Financial instruments

In August 2009, the CICA amended Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, which adds guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset of the held-for trading category. In addition, this Section has been amended to: change the categories into which a debt instrument is required or permitted to be reclassified and change the impairment model for held-to-maturity financial assets to the incurred credit loss model of impaired loans; and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008. The adoption of this new Section did not have a material impact on the Company's financial statements.

In June 2009, the CICA amended CICA Handbook Section 3862, *Financial Instruments - Disclosure*, which enhances disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements and expanded requirements regarding liquidity risk disclosure. The new guidance does not change the financial instruments measurement requirements of Section 3855, but amends the disclosure requirements, which are as a result of changes made to IFRS 7. The guidance applies to financial instruments measured at fair value on the balance sheet and establishes a hierarchy for each financial instrument on an individual basis. These amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009. The related disclosures are included in Note 14.

Future accounting policies

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 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.

Summary of Outstanding Share Data

As at December 31, 2009, 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, 2009 of $247,672 ($nil principal value and $247,672 accrued interest). The debentures plus accrued interest are convertible at any time into common shares of the Company at varying conversion rates that were determined at the time of issuance of each tranche. If all the debentures plus accrued interest were converted at December 31. 2009, 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.