

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND
RESULTS OF OPERATIONS of
Plaintree Systems Inc.

For the nine months ending December 31, 2024 and December 31, 2023

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

PLAINTREE SYSTEMS INC.

For the three and nine months ended December 31, 2024 and December 31, 2023

Date: February 13, 2025

The following discussion and analysis is the responsibility of management and has been reviewed by the Audit Committee of Plaintiff Systems Inc ("Plaintree" or the "Company") and approved by the Board of Directors of Plaintiff. 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 Plaintiff is for the nine months ended December 31, 2024 and 2023. 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 periods. Unless otherwise stated all amounts are in Canadian dollars following the requirements of the International Financial Reporting Standards ("IFRS"). The information contained herein is dated as of February 13, 2025, and is current to that date, unless otherwise stated. Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the interim filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed this MD&A and the accompanying financial statements.

W. David Watson II, President and Chief Executive Officer, and Robert Turley, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI52-109"), have both certified that they have reviewed the interim financial statements and this MD&A ("the interim Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the interim Filings; and (b) the interim financial statements together with the other financial information included in the interim Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the dates and for the periods presented in the interim Filings.

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

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 Plaintiff'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 Plaintiff's control, affect the operations, performance and results of Plaintiff 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 Plaintiff's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the

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

jurisdictions where Plaintiff operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the industry; technological change; currency value fluctuation; general economic conditions worldwide, including in China; Plaintiff'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; supply and/or staffing issues outside the control of Plaintiff, such as COVID, etc. and Plaintiff's success in integrating acquired businesses. This list is not exhaustive of the factors that may affect any of Plaintiff's forward-looking statements. Plaintiff 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.

Overview

Plaintree Systems Inc. ("Plaintree" or the "Company") was incorporated in Canada under the Canada Business Corporation Act and is publicly traded on the Canadian Securities Exchange ("CSE") under "NPT". Plaintree is a diversified company with proprietary technologies and manufacturing capabilities in structural design and aerospace. The Company operates an Applied Electronics division, consisting of the Hypernetics division, Summit Aerospace USA Inc. ("Summit Aerospace") and the Elmira Stove Works business, and a Specialty Structures division consisting of the Triodetic business, and Spotton Corporation. The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum, and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames, and industrial dome coverings. Summit Aerospace specializes in the high-end machining of super-alloys for the aircraft and helicopter markets. Spotton's business involves the design and manufacture of high-end custom hydraulic and pneumatic cylinders for the industrial, automation and oil and gas markets. The Elmira Stove Works business manufactures custom vintage-inspired kitchen appliances for the North American consumer market.

The address of the Company's registered office and principal place of business is 10 Didak Drive, Arnprior, Ontario.

Control Activities

The Company's Chief Executive Officer and Chief Financial Officer exercise reasonable diligence around the controls and procedures designed to provide reasonable assurance that financial information disclosed is recorded, processed and disclosed reliability.

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

Selected Interim Financial Information

Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following table sets forth selected financial information from the Company's interim financial statements:

(\$000s, except per share amounts)

	Three months ended		Nine months ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$		
Revenue	4,595	4,857	18,723	17,788
Net earnings (loss) and comprehensive earnings (loss)	12	(174)	527	447
Net earnings (loss) attributed to common shareholders	(355)	(540)	(572)	(652)
Basic and diluted earnings (loss) per share	(0.03)	(0.04)	(0.04)	(0.05)

(\$000s, except per share amounts)

	December 31, 2024	March 31, 2024
	(unaudited)	(audited)
	\$	\$
Total assets	14,500	14,985
Total liabilities	13,079	14,091
Long-term liabilities	6,919	7,851
Cash dividends declared per share	nil	nil

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

Results from Operations

(\$000s)	Nine months ended		Change from
	December 31, 2024	December 31, 2023	
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	18,723	17,788	935
Cost of sales	14,389	12,326	2,063
Gross margin	4,335	5,462	(1,127)
	23%	31%	
Operating expenses:			
Engineering and design	1,324	1,319	5
Finance and administration	1,475	1,619	(144)
Sales and marketing	1,093	1,644	(551)
Bad debts	27	-	27
Loss on disposal of assets	(11)	23	(34)
Interest expense	220	209	11
(Gain) on foreign exchange	(198)	201	(399)
Gain on lease modification	(122)	-	(122)
	3,807	5,015	(1,208)
Net earnings and comprehensive earnings	527	447	80

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

Business segment information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments: (i) Applied Electronics - the design, development, manufacture, marketing and support of applied electronic products, and (ii) Specialty Structures - the design, development, manufacture, marketing and support of specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$4,334,053 (December 31, 2023 - \$4,926,142) in property, plant and equipment and Right of Use Asset, building, \$3,679,005 (December 31, 2023 - \$4,112,798) is located in Canada and \$655,048 (December 31, 2023 - \$813,344) in the United States. All the Company's intangible assets are primarily located in Canada.

Revenue by division

	Three months ending		Nine months ending	
	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)
	\$	\$	\$	\$
Applied Electronics	1,633,475	2,596,414	5,636,299	8,224,224
Specialty Structures	2,961,477	2,260,830	13,086,966	9,563,897
	4,594,952	4,857,244	18,723,265	17,788,121

Revenue by geographical location

	Three months ending		Nine months ending	
	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)
	\$	\$	\$	\$
Canada	288,514	1,056,991	7,472,092	5,579,733
United States	80,869	4,036,151	5,413,965	12,039,214
Other	4,225,569	(235,899)	5,837,208	169,173
	4,594,952	4,857,244	18,723,265	17,788,121

Net earnings (loss) before taxes by division

	Three months ending		Nine months ending	
	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)
	\$	\$	\$	\$
Applied Electronics	(401,425)	(3,281)	(677,581)	(230,265)
Specialty Structures	413,170	(170,639)	1,204,880	677,350
	11,745	(173,920)	527,299	447,085

Assets by division

	Nine months ending	
	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)
	\$	\$
Applied Electronics	8,804,057	9,516,051
Specialty Structures	5,696,049	6,492,177

Intangibles by division

	Nine months ending	
	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)
	\$	\$
Applied Electronics	814,587	1,282,121
Specialty Structures	0	0

Revenues

Total product revenue from ongoing operations for the first nine months of fiscal 2025 was \$18,723,265 compared to \$17,788,121 for the first nine months of fiscal 2024.

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

Plaintree's Applied Electronics Division revenues from operations decreased in the first nine months of fiscal 2025 to \$5,636,299 compared to \$8,224,223 in the first nine months of fiscal 2024.

Plaintree's Specialty Structures Division revenues from operations increased to \$13,086,966 in the first nine months of fiscal 2025 from \$9,563,897 in the first nine months of fiscal 2024.

Gross Margin

Total gross margin fell during the first nine months of fiscal 2025, to 23% compared to 31% for fiscal 2024.

Operating Expenses

Engineering and design expenses

Engineering and design expenses were \$1,324,045 and \$1,319,354 for the first nine months of fiscals 2025 and 2024, respectively. Engineering and design expenditures consist primarily of development engineering and personnel expenses.

Finance and administration expenses

Finance and administration expenses were \$1,475,326 and \$1,619,354 for the first nine months of fiscals 2025 and 2024, respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities. The decrease is due in part to reduced use of professional services, structural changes in staffing, and reduced banking fees.

Sales and marketing expenses

Sales and marketing expenses were \$1,092,793 and \$1,644,253 for the first nine months of fiscals 2025 and 2024, 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 decrease is due in part to expenses tied to revenues and structural changes in marketing channels.

Bad debts

An allowance for doubtful accounts has been created in the amount of \$26,920 (NIL – 2024) for potentially uncollectable amounts. This relates to a tenant subletting office space who is more than nine months in arrears.

Gain on disposal of assets

(Gain) loss on disposal of assets was \$(10,686) and \$22,867 in the first nine months of fiscal years 2025 and 2024 respectively. The prior year loss of \$22,867 arose from the disposal of obsolete plant equipment while the current year gain of \$10,686 resulted from the sale of obsolete equipment in excess of their residual value.

Interest expense

Interest expense consists of interest incurred on bank debt. Interest expenses amounted to \$219,656 and \$208,860 for the first nine months of fiscals 2025 and 2024 respectively. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

Gain on foreign exchange

The Company reported a gain on foreign exchange of \$(198,403) and a loss of \$200,572 in the first nine months of fiscals 2025 and 2024, 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.

Net (loss) earnings and Comprehensive (loss) earnings Attributable to Common Shareholders

Net loss and comprehensive loss attributed to common shareholders for first nine months of fiscal 2025 was \$(572,201) and Net loss and comprehensive loss attributed to common shareholders for fiscal 2024 was \$(652,415). Net income (loss) attributed to common shareholders is calculated by reducing net income by the \$1,466,000 cumulative dividends that accrue annually on the Class A preferred shares. The cumulative dividends accrue at 8% per annum on the face value of the \$18,325,000 for the Class A preferred shares and as December 31, 2024 the accrued and unpaid dividends on the Class A preferred shares were \$23,755,500 (December 31, 2023 - \$22,289,500).

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

Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2025, 2024 and 2023:

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

	Dec-31 2024 Q3 2025	Sep-30 2024 Q2 2025	Jun-30 2024 Q1 2025	Mar-31 2024 Q4 2024	Dec-31 2023 Q3 2024	Sep-30 2023 Q2 2024	Jun-30 2023 Q1 2024	Mar-31 2023 Q4 2023
Revenue	\$ 4,595	\$ 6,846	\$ 7,283	\$ 6,273	\$ 4,857	\$ 5,178	\$ 7,753	\$ 3,397
Net earnings (loss) and total comprehensive earnings (loss)	12	(611)	1126	740	(174)	(44)	665	(3335)
Net (loss) earnings attributed to common shareholders	(355)	(977)	760	374	(540)	(410)	298	(3,701)
Basic and diluted (loss) earnings per share	(0.03)	(0.08)	0.06	0.03	(0.04)	(0.06)	0.02	(0.29)

Liquidity and Capital Resources

	December 31, 2024 (unaudited)	March 31, 2024 (audited)	Change
Cash	\$ (925)	\$ (1,880)	955
Working Capital	3,192	3,047	145

	December 31, 2024 (unaudited)	December 31, 2023 (unaudited)	Change
Net cash provided by (used in) :	\$	\$	\$
Operating activities	2,226	1,266	960
Investing activities	(374)	(165)	(208)
Financing activities	(897)	(1,857)	960

Cash

As at December 31, 2024, the Company had a cash deficit of \$924,678 a decrease of \$928,935 from cash deficit of \$1,853,613 in December 31, 2023. The change is largely due to the normalization of working capital in the Applied Electronics Division and strong performance in the Specialty Structures division.

Working Capital

Working capital represents current assets less current liabilities. As at December 31, 2024, the Company had working capital of \$3,192,015 compared to a working capital of \$(51,724) at December 31, 2023. In fiscal 2023 and through the first three quarters of fiscal 2024 the company was offside on its covenant ratios resulting in the reclassification of \$2,089,659 of long term debt to current debt, this reclassification was not applicable to fiscal 2025.

Operating activities

Cash provided by operating activities during the first nine months of fiscal 2025 was \$2,225,851 representing an increase of \$959,792 from cash provided of \$1,266,058 for the respective period during fiscal 2024. Cash provided during the period related to inventory, receivables and unbilled revenues.

Investing activities

Cash (used in) investing activities during the first nine months of fiscal 2025 was \$(373,847) representing an increase of \$(208,120) in investing activities from cash (used in) investing activities of \$(165,727) in the respective period during fiscal 2024. Cash used in investing activities during fiscal 2025 relates primarily to the purchases of manufacturing equipment and website development.

Financing activities

Cash (used in) financing activities during the first nine months of fiscal 2025 was \$(897,145) representing a decrease of \$960,070 from cash (used in) of \$(1,857,215) during the respective period in fiscal 2024. Cash used in financing activities during the current fiscal year relates primarily to the repayment of long-term debt and leases.

Outlook

The Company has in place a credit facility of up to \$4,000,000 CAD through its bank based on acceptable trade receivables and inventory. The total amount available to the Company as at December 31, 2024 was \$3,061,104 CAD of which \$963,820 was in use leaving \$2,097,284 CAD available. The Company through its bank has in place a credit facility of up to \$3,500,000 CAD for the issuance of standby letters of credit and/or letters of guarantee insured by Export Development Corporation ("EDC") Performance Security Guarantee of which \$2,913,107 CAD was in use as at December 31, 2024. The Company has in place a credit facility of up to \$2,000,000 CAD to assist with financing of new and used equipment. As at December 31, 2024 \$886,308 CAD was available (Note 8 Lease obligations). The Company also has in place a term loan of \$1.5 million CAD primarily utilized to fund the payment obligations to the vendors of the Elmira Stove Works business of which \$NIL was available for use as at December 31, 2024 due to the completion of the acquisition installments.

Due to related parties

	December 31, 2024	March 31, 2024
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,627,708	3,663,669
Dividends payable	60,000	60,000
Due to Targa Group Inc.	247,672	247,672
Due to Tidal Quality Management Inc.	398,388	398,388
Due to Targa Group Inc, line of credit interest	242,598	242,598
Due to Targa Group Inc, demand loan interest	201,393	201,393
	4,777,758	4,813,720
Less: current portion	(50,000)	(50,000)
	4,727,758	4,763,720

Targa Group Inc. and Tidal Quality Management Inc. are companies under common control.

As at December 31, 2024, a balance of \$3,627,708 (\$2,492,074 principal and \$1,135,634 interest); March 31, 2024 - \$3,678,093 (\$2,542,459 principal and \$1,135,634 interest) remained owing to senior officers of the Company. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During the first nine months of fiscal 2025 payments in the amount of \$35,962 were repaid to senior officers. As of December 31, 2024, \$50,000 was classified as current. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

On July 14, 2011, the board of directors of the Company declared a cash dividend of \$10.91405 per Class A preferred share (\$200,000 in the aggregate) payable on July 22, 2011, to the holders of record at the close of business on July 18, 2011. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the \$1,000 redemption amount of the Class A preferred share. An amount of \$60,000 (\$60,000 - March 31, 2024) of the dividend remains outstanding as at December 31, 2024. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at December 31, 2024, interest in the amount of \$247,672 (\$247,672 – March 31, 2024) on a loan from Targa remains outstanding. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at December 31, 2024, a balance of \$398,388 rent arrears consist of \$215,227 from March 31 2022 and \$182,888 interest); March 31, 2024 - \$398,388 (\$215,500 rent arrears and \$182,888 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corp. The party agreed to discontinue interest accruing on unpaid balances as at April 1, 2016. Until then the interest rate was at bank prime plus 2%. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

The Company has a revolving line of credit of up to \$1,000,000 with Targa. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Line is secured by a security interest granted over the assets of the Company. As at December 31, 2024, \$NIL (\$NIL – March 31, 2024) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 – March 31, 2024) outstanding for a balance of \$242,598 (\$242,598 – March 31, 2024). The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Interest in the amount of \$66,581 (\$66,581 – March 31, 2024) remained outstanding on a demand loan with Targa. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments. Accumulated interest in the amount of \$134,812 (\$134,812 – March 31, 2024), on a loan from Targa remains outstanding as of December 31, 2024. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents in the form of lease payments paid or payable to Tidal Quality Management Corporation during the nine months ended December 31, 2024, totaled \$759,078 (\$513,722 – March 31, 2024). The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

Facilities

The Company leases a 135,500 sq. /ft. building at 10 Didak Drive in Arnprior, Ontario and a sales office and showroom in Elmira, ON for the Elmira Stove Works Inc.

The Company along with its wholly-owned US subsidiary owns a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA.

Summary of Outstanding Share Data

As at February 13, 2025 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, 2024 of \$247,672 in accrued interest only. Interest is convertible in cash only.

Options:*** 880,000

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