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

PLAINTREE SYSTEMS INC.

For the years ended March 31, 2014 and 2013

Date – July 21, 2014

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 is for the years ended March 31, 2014 and 2013. 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 July 21, 2014 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 annual filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed this MD&A and the accompanying financial statements.

W. David Watson II, President and Chief Executive Officer, and Lynn E. Saunders, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI52-109"), have both certified that they have reviewed the annual financial statements and this MD&A ("the annual Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the annual Filings do not contain any untrue 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 annual filings; and (b) the annual financial statements together with the other financial information included in the annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the dates and for the periods presented in the annual 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 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 industry; technological change; currency value fluctuation; general economic conditions worldwide, including in China; Plaintree's success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels. This list is not exhaustive of the factors that may affect any of Plaintree’s forward-looking statements. Plaintree undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise. Readers are cautioned not to put undue reliance on forward-looking statements. Readers should also carefully review the risks concerning the business of the Company and the industries in which it operates generally described in the documents filed from time to time with Canadian securities regulatory authorities.

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

Overview

Plaintree Systems Inc. ("Plaintree" or the "Company") was incorporated in Canada under the Canada Business Corporation Act and is publicly traded on the Canadian Securities Exchange (CSE) under "NPT". The Company operates an Electronics division (the Hypernetics business, the free space optics business and Summit Aerospace USA Inc. ("Summit") business) and a Specialty Structures division (the Triodetic business, Arnprior Fire Trucks Corp. business and Spotton Corporation business). Plaintree was historically a designer and manufacturer of wireless connections transmitting data on beams of light versus conventional radio frequency, commonly referred to as free space optics ("FSO"). The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids and permanent magnet alternators. The Triodetic business, including non-US sales activity through Triodetic Ltd. a wholly-owned subsidiary, is a design/build manufacturer of steel, aluminium and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings. Summit Aerospace USA Inc is a wholly-owned subsidiary of Plaintree which specializes in the high end machining of super-alloys for the aircraft and helicopter markets. Arnprior Fire Trucks Corp. is a wholly-owned subsidiary of Plaintree which specializes in the design and manufacturing of fire trucks for municipal and commercial use. Spotton Corporation is a wholly-owned subsidiary of Plaintree which is in the business of designing and manufacturing high end custom hydraulic and pneumatic valves and cylinders for the industrial and oil and gas markets. The address of the Company's registered office and principal place of business is 10 Didak Drive, Arnprior, Ontario, K7S 0C3.

Recent Developments

On May 23, 2013 the Company along with its wholly-owned US subsidiary completed the acquisition of a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA. The Company increased its credit facility with its bankers (HSBC Bank USA) and obtained a short-term loan from a related party for the purposes of financing the $1.1M acquisition. The relocation of Summit Aerospace USA Inc. was completed in June 2014.

On April 1, 2014, the Company has reorganized the non-US sales activities of Triodetic and all of the sales activities in relation to non-US business will be dealt with by Triodetic Ltd., a wholly-owned subsidiary of Plaintree. Plaintree's Triodetic division will still continue to manufacture the structures to be sold through Triodetic Ltd.

On March 31, 2014, the Company acquired all of the shares of Spotton Corporation for $120.

The Company's common shares are quoted on the CSE under symbol "NPT" in Canada.

Control Activities

For all changes to policies and procedures that have been identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures has been assessed and any required changes have been implemented.

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

Selected Annual Financial Information

The Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with IFRS. The following table sets forth selected financial information from the Company's fiscal 2014 financial statements:

($000s, except per share amounts)

	March 31, 2014	**March 31, 2013**
	$	$
Total assets	***14,269***	13,087
Total liabilities	**14,174**	11,281
Long-term liabilities	**7,580**	4,927
Cash dividends declared per share	**nil**	nil

($000s, except per share amounts)

	March 31, 2014	**March 31, 2013**
	$	$
Revenue	***20,804***	13,791
Net (loss) income and total comprehensive (loss) income	**(1,711)**	373
Net loss attributed to common shareholders	**(3,177)**	(1,093)
Basic and diluted loss per share	**(0.20)**	(0.09)

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

Results of Operations

	Plaintree Systems Inc.		
	($000s, except per share and % amounts) Fiscal Year		Change from
	2014 **$**	2013 $	2013 to 2014 $
Revenue	**20,804**	13,791	7,013
Cost of sales	**18,101**	10,458	7,643
Gross margin	**2,703**	3,333	(630)
	13%	25%	
Operating expenses:			
Research and development	**1,407**	1,314	93
Finance and administration	**1,229**	1,164	65
Sales and marketing	**705**	545	160
Bad debt	**119**	2	117
Interest expense	**288**	171	117
Gain on sale of property, plant and equipment	**(2)**	(278)	276
Loss (gain) on foreign exchange	**100**	23	77
	3,846	2,941	905
Net (loss) income before other expenses and income taxes	**(1,143)**	392	(1,535)
Other expenses			
Write-down of due from related party	**568**	-	568
Net (loss) income before income taxes	**(1,711)**	392	(2103)
Current income tax expense	**-**	19	(19)
Net (loss) income and comprehensive (loss) income	**(1,711)**	373	(2084)

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

Business Segment Information

The Company's chief decision maker, the Chief Executive Officer, tracks the Company's operations through two business segments - the design, development, manufacture, marketing and support of electronic products (Electronics) and specialty structures products (Specialty Structures).

Revenues by division

	2014	2013
	$	$
Electronics	**5,656,151**	6,127,101
Specialty structures	**15,147,451**	7,663,658
	20,803,602	13,790,759

Net (loss) income before taxes by division

	2014	2013
	$	$
Electronics	**420,271**	1,205,829
Specialty structures	**(1,563,483)**	(813,543)
	(1,143,212)	392,286

Revenues by geographical location

	2014	2013
	$	$
Canada	**15,054,547**	7,100,933
United states	**4,731,998**	5,585,664
Other	**1,017,057**	1,104,162
	20,803,602	13,790,759

Product revenue concentration (customers with revenues in excess of 10%)

	2014	2013
	$	$
Number of customers	**2**	2
% of total revenue	**11%, 34%**	11%, 16%

Assets by division

	2014	2013
	$	$
Electronics	**5,744,473**	10,421,191
Specialty structures	**8,524,333**	2,665,992
	14,268,806	13,087,183

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

Revenues

Revenue

Total product revenue for fiscal 2014 was $20,803,602 compared to $13,790,759 in fiscal 2013.

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

Plaintree's Electronics Division revenue decreased to $5,656,151 in fiscal 2014 from $6,127,101 in fiscal 2013. The decrease is the net result of slower sales in the Summit Aerospace business and moderate increases in the Hypernetics division.

Plaintree's Specialty Structures Division revenue increased to $15,147,451 in fiscal 2014 from $7,663,658 in fiscal 2013. The increase is a direct result of two larger projects in the Triodetic business during the fiscal.

Gross Margin

Total gross margin decreased in fiscal 2014 to 13% from 25% in fiscal 2013.

Inventory write-downs of $213,093 and $202,632 in fiscals 2014 and 2013 are included in the cost of sales.

Operating Expenses

Research and development expenses

Research and development expenses were $1,407,291 and $1,313,805 in fiscals 2014 and 2013 respectively. Research and development expenditures consist primarily of development engineering and personnel expenses.

Research and development expenses are expected to remain at comparable levels throughout fiscal 2015.

Finance and administration expenses

Finance and administration expenses were $1,229,013 and $1,164,260 in fiscals 2014 and 2013 respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities. Amortization of intangibles related to the business of Summit Aerospace is the primary reason for the increase in finance and administration expenses.

Finance and administration expenses are expected to remain at comparable levels throughout fiscal 2015.

Sales and marketing expenses

Sales and marketing expenses were $705,028 and $544,527 in fiscals 2014 and 2013 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.

Sales and marketing expenses are expected to remain at comparable levels throughout fiscal 2015.

Bad debt expenses

The Company recorded bad debts of $119,074 and $2,377 in fiscals 2014 and 2013 respectively, and all remain uncollected.

Interest expense

Interest expense consists of interest incurred on bank and related party debt. Interest expenses were $287,714 and $170,802 for fiscals 2014 and 2013, respectively. Interest expense increased primarily due to the increase in borrowings for plant and plant leaseholds. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

Gain (loss) on foreign exchange

The Company reported losses on foreign exchange of $100,192 and $22,614 in fiscals 2014 and 2013 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), Comprehensive (loss) and Net (loss) Attributable to Common Shareholders

Net loss and comprehensive loss for Fiscals 2014 and 2013 was $(3,177,371) and $(1,092,714) respectively. Net income attributed to common shareholders is calculated by reducing net income by the $1,466,000 cumulative yearly 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 of March 31, 2014, the accrued and unpaid dividends on the Class A preferred shares were $8,362,500.

Quarterly Results

The following table sets out selected unaudited consolidated financial information for each quarter in fiscal 2014 and fiscal 2013:

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

	Mar 31 2014	Dec 31 2013	Sept 30 2013	June 30 2013	Mar 31 2013	Dec 31 2012	Sept 30 2012	June 30 2012
	$	$	$	$	$	$	$	$
Revenue	5,189	6,144	5,859	3,612	4,118	4,091	2,804	2,778
Net profit (loss) and total comprehensive income (loss)	(2,300)	(351)	801	139	212	373	(35)	(177)
Net profit (loss) attributed to common shareholders	(2,667)	(717)	435	(228)	(155)	6	(402)	(543)
Basic and diluted earnings (loss) per share	(0.12)	(0.04)	(0.02)	(0.02)	(0.02)	0.00	(0.03)	(0.04)

Liquidity and Capital Resources

($000s)

	2014	**2013**	**Change**
	$	$	$
Cash	**(25)**	146	(171)
Working Capital	**155 (i)**	739 (i)	(584)

(i) The Company is subject to various covenants on the long-term debt (including debt to tangible net worth, current assets to current liabilities, capital and debt service ratios). The Company is in breach of the debt service ratio to which the bank has provided forbearance until April 1, 2015 with respect to this breach. IFRS requires that a financial liability be classified as current even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue. The Company's working capital without this reclassification of bank debt is $3,038,645 and $2,894,737 for fiscals 2014 and 2013 respectively.

	2014	2013	Change
Net cash (used in) provided by:			
	$	**$**	**$**
Operating activities	**(1,028)**	**834**	**(1,862)**
Investing activities	**(1,594)**	**(330)**	**(1,294)**
Financing activities	**2,452**	**(1,038)**	**3,490**

Cash

As at March 31, 2013, the Company was indebted to the bank by $24,776 in cash, a decrease of $170,536 from March 31, 2013.

Working Capital

Working capital represents current assets less current liabilities. As at March 31, 2014, the Company had positive working capital of $155,317 compared to working capital of $738,717 at March 31, 2013 after the bank debt was reclassified as a current liability due to a breach of bank covenants. The Company is subject to various covenants on the long-term debt (including debt to tangible net worth, current assets to current liabilities, capital and debt service ratios). The Company is in breach of the debt service ratio to which the bank has provided forbearance until April 1, 2015. The bank expects the Company to be back in covenant by March 31, 2015. IFRS requires that a financial liability be classified as current even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue. The Company's working capital without this reclassification of current bank debt is $3,308,645 and $2,894,737 for fiscal periods 2014 and 2013, respectively.

Cash (used in) provided by Operating activities
Cash used in operating activities for fiscal 2014 was $(1,028,474) representing an increase of $1,862,396 from cash provided of $833,922 fiscal 2013. Cash used in operating activities during fiscal 2014 mainly relates to the operating losses.

Cash (used in) Investing activities
Cash used in investing activities for fiscal 2014 was $(1,593,750) representing an increase of $1,263,325 from cash used in investing activities of $(330,425) in fiscal 2013. Cash used in fiscal 2014 was the result of the company acquiring new land and building for the US operations.

Cash provided (used in) by Financing activities
Cash provided by financing activities for fiscal 2014 was $2,451,687 representing an increase of $3,489,424 from cash used of $(1,037,737) in fiscal 2013. Cash provided in financing activities in fiscal 2014 relates primarily to the borrowings to acquire land and building for the US operations and increase loans from related party.

Outlook

Fiscal 2014 concluded with a net loss of $1,711,371 before adjusting for accrued and unpaid dividends on the Class A preferred shares, which included a write-down on inventory of $213,093 and a write-down of due from related party of $568,158. Continued growth for the Company is expected from Summit Aerospace and Arnprior Fire Trucks Corp in the next several years. The Company has increased their investment into high end, robust and versatile manufacturing

equipment throughout all of its divisions. Plaintree moved to a larger facility in late fiscal 2011 to ensure it had sufficient capacity for growth for its Canadian operations.

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

Related Party Transactions

Due from Related Party

Subsequent to year-end, the Company purchased all of the shares of Spotton Corporation for $120. It was determined that the related note receivable was impaired and it was written down by $568,158. The remaining balance $1,096,641 is unsecured, due on demand and accrues interest at prime plus 2%.

Due to Related Party

	2014	2013
	$	$
Due to senior officers	**3,665,568**	3,392,540
Dividends payable	**60,000**	60,000
Due to Targa Group Inc., debenture interest	**247,672**	247,672
Due to Tidal Quality Management Inc.	**713,284**	322,370
Due to Targa Group Inc., line of credit	**1,194,737**	763,070
Due to Targa Group Inc., demand loan	**1,563,833**	66,581
Due to Targa Group Inc., demand loan interest	**134,813**	134,813
	7,579,907	4,987,046
Less: current portion	**-**	(60,000)
	7,579,907	4,927,046

As at March 31, 2014, a balance of $3,665,568 ($2,718,520 principal and $947,048 interest), (2013 - $2,578,846 in principal and $813,694 in interest) remained owing to senior officers of the Company. These amounts are classified as long-term as the parties have agreed not to demand repayment before August 2015.

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 (2013 - $60,000) of the dividend remains outstanding as of March 31, 2014. The balance is classified as long-term as the related party has agreed not to demand payment before August 2015.

As at March 31, 2014, a balance of $247,672 in debenture interest (2013 - $247,672) is outstanding. The balance is classified as long-term as the related party has agreed not to demand payment before August 2015.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears, including interest of $155,882 owing to this related party, amounted to $324,103 (March

31, 2013 - $322,370). The Company accepted partial financing in the form of a note payable in the amount of $373,473 with accumulated interest of $15,970 as of March 31, 2014 from Tidal for a new facility in Pocono Summit. The interest is at bank prime plus 2% and accrues on the principal balance. The party has agreed not to demand repayment of the total balance of $713,284 (2013 - $322,370) before August 2015 and the amount is classified as long-term.

The Company has a demand loan of up to $1,800,000 and a revolving line of credit of up to $1,000,000 with Targa. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Facility is secured by a security interest granted over the assets of the Company. At March 31, 2014, $1,000,000, (2013 - $600,000) remained outstanding on the line of credit with accumulated interest of $194,737 (2013 - $163,070) for a balance of $1,194,737 (2013 - $763,070). At March 31, 2014, $1,491,040, (2013 - $66,581) remained outstanding on the demand loan with accumulated interest of $72,793 for a balance of $1,563,833. Targa has agreed that it will not demand repayment before August 2015 and, accordingly, the amounts are classified as long-term.

Accumulated interest in the amount of $134,813 (2013 - $134,813), on a loan from Targa, for which the principal was fully repaid in fiscal 2008, remains outstanding as of March 31, 2014. The party has agreed not to demand repayment before August 2015 and, accordingly, the amount is classified as long-term.

Facilities

The Company leases a 135,500 sq. /ft. building at 10 Didak Drive in Arnprior, Ontario.

On May 23, 2013 the Company along with its wholly-owned US subsidiary completed the acquisition of a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA. The relocation of Summit Aerospace USA Inc. from its leased location was completed in June 2014.

Other Contracts and Commitments

The following table provides a summary of the Company's obligations outstanding as at March 31, 2014:

Payments due by period

	Total	Current	2016	2017	2018	2019	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	**1,661,739**	1,661,739					
Due to related parties- debenture interest	**247,672**	-	247,672	-	-	-	-
Due to related parties- other	**3,860,381**	-	3,860,381	-	-	-	-
Due to related parties- line of credit	**1,194,737**	-	1,194,737	-	-	-	-
Due to related parties- demand loan	**1,563,833**	-	1,563,833	-	-	-	-
Due to related parties- lease payments	**207,851**	61,511	48,780	48,780	48,780	-	-
Long-term debt	**4,041,993**	1,158,665	1,109,158	296,375	295,668	221,983	960,144
	12,778,206	2,881,915	8,024,561	345,155	344,448	221,983	960,144

Risk Factors Affecting Future Business

The Company has exposure to credit risk, market risk and liquidity risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, sound business practices and on occasion derivative financial instruments.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers, and others from outstanding trade receivables and unbilled revenue and notes receivable. The maximum credit risk in the year amounted to $4,182,271 (2013 - $3,368,168). The objective of managing counterparty credit risk is to prevent losses on financial assets, specifically cash, trade receivables and unbilled revenue. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Cash

Cash consists of bank deposits. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in highly rated financial institutions. As at March 31, 2014, the Company was in a cash deficit position of $(24,776), (2013 – cash of $145,760). During the years ended March 31, 2014 and 2013, the Company did not hold any investments in asset-backed commercial paper.

Accounts receivable

Accounts receivable consists primarily of trade receivables. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company. This risk is mitigated through established credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The carrying amount of trade receivables are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of comprehensive income (loss). When a receivable balance is considered uncollectible, it is written off against the allowance for trade receivables.

Maximum credit risk is limited to the balance in cash, trade receivables and unbilled revenue totalling $3,780,418 (2013 - $2,921,677). The Company is subject to concentration risk in relation to its trade receivable balances. As of March 31, 2014, trade receivables were comprised of five customers totalling 17%, 14%, 12%, 11% and 10%, respectively (2013 – 2 customers totalling 26% and 15%, respectively). As at March 31, 2014, the Company's ageing of accounts receivable was approximately 95% (2013 - 93%) under sixty days, 2% (2013 - 6%) over 60 - 90 days and 3% (2013 - 1%) over 90 days and the allowance for doubtful accounts was $NIL (2013 - $NIL).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations.

Interest risk

The Company is financed through loans from related parties and bank loans which bear interest at rates tied to the Canadian bank prime rate. The Company's exposure to interest rate risk relates primarily to variable interest rates on bank and related party debt totalling $9,792,985. The variable interest rates range from prime less 0.65% to prime plus 2.0%. A 1% change in the bank prime interest rate causes a $97,930 change in annual interest expense. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

Foreign currency risk

There is a risk to the Company's earnings that arises from fluctuations in foreign exchange rates, and the degree of volatility of these rates. The Company's financial results are reported in Canadian dollars. The Company is exposed to foreign exchange fluctuations against the Canadian dollar as sales are primarily denominated in U.S. 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. For the year ended March 31, 2014, the Company had a foreign exchange loss of $100,414 (2013 - loss of $22,614). A 10% change in the value of the U.S. dollar against the Canadian dollar would have an approximate foreign exchange gain or loss of $329,060 and $133,503 for the fiscal years ended March 31, 2014 and 2013, respectively.

Assets and liabilities denominated in U.S. dollars (expressed in Canadian dollars) are as follows:

	2014	2013
	$	$
(Bank indebtedness) cash	**(775,861)**	209,476
Trade receivables	**828,998**	1,014,730
Unbilled revenue	**319,582**	514,439
Trade and other payables	**(335,970)**	(248,958)
Deferred revenue	**(496,746)**	(163,763)
Note payable	**-**	(762,000)
Long-term debt	**(2,830,609)**	(1,898,955)
	(3,290,606)	(1,335,031)

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 maintains a positive working capital position. The Company aims to maintain a current ratio, defined as current assets over current liabilities, of at least 1:1.

The Company generally makes bi-monthly payments to vendors. At March 31, 2014, most of the Company's accounts payable were current. The vast majority of accounts payable fall due for payment within forty-five days. Accrued liabilities are generally due after more than one month and in some cases it may not yet be possible to determine the contracted date for payment.

The Company is required to maintain certain financial covenants in connection with its existing banking arrangements (Note 21).

Fair values

The carrying amounts for cash, trade accounts receivable, and accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments or the terms of the

instrument. The carrying amount for the long-term debt approximated fair value as the interest rate was reflective of rates currently available for similar debt.

The fair values of amounts due to and due from related parties are not determinable as comparable arm's length debts are not available.
Fair values

Capital Management

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in equity as capital, which totals $94,327 (2013 - $1,805,694) at year-end.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year revenue increases with positive increases in earnings before interest, tax, depreciation and amortization. These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation over exposure.

The Company is subject to various covenants on long-term debt (including debt to tangible net worth, current assets to current liabilities, capital and debt service ratios). The Company is in breach of the debt service ratio covenant to which the bank has provided forbearance and will not demand repayment before April 1, 2015. The bank expects the Company to be onside on their covenant by March 31, 2015 (Note 8).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended March 31, 2014 compared to the year ended March 31, 2013.

New and Revised IFRS in Issue but not Effective

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective January 21, 2018. The impact of this ongoing project will be assessed by the Company as remaining phases of the project are complete.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amendments to IAS 32 *Financial Instruments: Presentation* clarifies certain aspects because of diversity in application of the requirements on offsetting, focus on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRIC 21 Levies ("IFRIC 21")

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- the liability is recognised progressively if the obligating event occurs over a period of time.
- if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017

The impact of these standards and amendments has not yet been determined.

Subsequent Event

On March 31, 2014, Plaintree entered into an agreement to acquire all the share capital of Spotton Corporation ("Spotton") for a purchase price of $120. The transaction closed on April 1, 2014 and Spotton now operates as a wholly-owned subsidiary of Plaintree under the Company's Specialty Structures Division. Spotton is currently operating out of the Company's Arnprior premises. Spotton's business involves the design and manufacture of high end custom hydraulic and pneumatic valves and cylinders for the industrial and oil and gas markets.

On April 1, 2014, the Company has reorganized the non-US sales activities of Triodetic and all of the sales activities in relation to non-US business will be dealt with by Triodetic Ltd., a wholly-owned subsidiary of Plaintree. Plaintree's Triodetic division will still continue to manufacture the structures to be sold through Triodetic Ltd.

The Company's Summit Aerospace USA Inc. division accepted a loan from the Pennsylvania Industrial Development Authority (PIDA) as partial financing towards the manufacturing facility in Pocono Summit, PA purchased in May 2013. In April 2014 the Company received a draw from the loan in the amount of $421,852 USD. Monthly repayments are amortized over fifteen years at a fixed rate of 1.5%. The loan facility is for an aggregate of $720,000 USD for a term of seven years, funding 45% of the cost of the building, land and renovations.

Summary of Outstanding Share Data

As at July 21, 2014, the following equity instruments of the Company were issued and outstanding:

Common Shares: 12,925,253

Class A Preferred Shares: * 18,325

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

Convertible Debentures:** $nil principal value

** The Company has issued various tranches of convertible debentures to related parties for total outstanding value at March 31, 2014, of $247,672 in accrued interest only. Interest is convertible in cash only.

Options:*** None

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