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

PLAINTREE SYSTEMS INC.

For the three months ended June 30, 2016 and 2015

Date – August 24, 2016

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 three months ended June 30, 2016 and 2015. 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 August 24, 2016 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 CSE under "NPT". The Company operates an Electronics division (the Hypernetics business, the free space optics business and Summit Aerospace USA Inc business) and a Specialty Structures division (the Triodetic business, Arnprior Fire Trucks Corp., Spotton Corp. and the Madawaska Doors 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 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, a wholly-owned subsidiary of Plaintree, specializes in the high end machining of super-alloys for the aircraft and helicopter markets. The business of Spotton, a wholly-owned subsidiary of Plaintree, involves the design and manufacture of high end custom hydraulic and pneumatic valves and cylinders for the industrial and oil and gas markets. Madawaska Doors, owned by 9366920 Canada Inc., a wholly-owned subsidiary of Plaintree, is a manufacturer of truly solid wood custom handcrafted doors made from finest woods from around the world. The address of the Company’s registered office and principal place of business is 10 Didak Drive, Arnprior, Ontario.

Recent Developments

On July 20, 2015, the Corporation, through 9366920 Canada Inc., a wholly-owned subsidiary, acquired the assets and businesses of Madawaska Doors Inc., including a building located in Barry’s Bay, Ontario, for a total purchase price of $280,000. The business of Madawaska Doors Inc. involves the manufacturing and selling of high quality, 100% natural solid wood custom doors and related parts and material. The Corporation intends to carry on the business of Madawaska Doors Inc. through its wholly-owned subsidiary.

The Company’s common shares are quoted on the CSE under symbol “NPT” in Canada.

Control Activities

The effectiveness of internal controls over financial reporting and disclosure controls and procedures has been assessed and any required changes have been implemented.

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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 interim financial statements:

($000s, except per share amounts)

	June 30, 2016 $	March 31, 2016 $
Total assets	**11,805**	**12,080**
Total liabilities	**12,429**	**12,555**
Long-term liabilities	**6,691**	**6,779**
Cash dividends declared per share	**nil**	**nil**

($000s, except per share amounts)

	For the three months ended, June 30, 2016 $	For the three months ended, June 30, 2015 $
Revenue	**4,143**	**3,760**
Net (loss) and total comprehensive (loss)	**(149)**	**(157)**
Net (loss) attributed to common shareholders	**(516)**	**(524)**
Basic and diluted (loss) per share	**(0.04)**	**(0.04)**

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Results of Operations

Plaintree Systems Inc.

	($000s, except per share and % amounts) **for the three months ended**		**Change from**
	June 30, 2016	**June 30, 2016**	**2015 to 2016**
	$	**$**	$
Revenue	**4,143**	3,760	383
Cost of sales	**3,412**	2,987	425
Gross margin	**731**	773	(42)
	18%	21%	
Operating expenses:			
Research and development	**332**	330	2
Finance and administration	**242**	258	(16)
Sales and marketing	**229**	255	(26)
Interest expense	**58**	99	(41)
Loss on sale of property, plant and equipment	**9**	-	9
Loss (gain) on foreign exchange	**10**	(12)	22
	880	930	(50)
Net (loss) and comprehensive (loss)	**(149)**	(157)	8

BUSINESS SEGMENT INFORMATION

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic products, and the specialty structural products. The Company determines the geographic location of revenues based on the location of its customers.

Revenues by division

	June 30, 2016	June 30, 2015
	$	$
Electronics	**1,656,340**	1,702,872
Specialty Structures	**2,486,261**	2,057,453
	4,142,601	3,760,325

Net income (loss) before taxes by division

	June 30, 2016	June 30, 2015
	$	$
Electronics	**217,841**	236,559
Specialty Structures	**(367,094)**	(394,054)
	(149,253)	(157,495)

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Revenues by geographical location

	June 30, 2016	June 30, 2015
	$	$
Canada	**1,965,122**	1,771,159
United States	**2,176,475**	1,917,329
Other	**1,004**	71,837
	4,142,601	3,760,325

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

	June 30, 2016	June 30, 2015
Number of customers	**0**	2
% of total revenue	**-**	11%, 13%

Revenues

Revenue

Total product revenue for three months ended June 30, 2016 was $4,142,601 compared to $3,760,325 in for the three months ended June 30, 2015.

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

Plaintree's Electronics Division revenues remained virtually constant at $1,656,340 and $1,702,872 in first three months of fiscals 2017 and 2016 respectively.

Plaintree's Specialty Structures Division revenue increased to $2,486,261 from $2,057,453 in the first three months of fiscal 2017 and 2016 respectively.

Gross Margin

Total gross margin decreased in the first three months of fiscal 2017 to 18% from 21% in realized in the first three months of fiscal 2016.

Operating Expenses

Research and development expenses

Research and development expenses were $331,504 and $329,853 in the first three months of fiscal 2017 and 2016 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 2017.

Finance and administration expenses

Finance and administration expenses were $242,498 and $258,390 in the first three months of fiscal 2017 and 2016 respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities.

Finance and administration expenses are expected to remain at comparable levels throughout fiscal 2017.

Sales and marketing expenses

Sales and marketing expenses were $229,277 and $254,942 in the first three months of fiscal 2017 and 2016 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 2017.

Interest expense

Interest expense of $58,150 for the three months ended June 30, 2016 consists of interest incurred on bank debt only. Interest expense of $99,058 for the three months ended June 30, 2015 consists of interest on bank and related party debt. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest. The related parties with loans to the company have agreed to discontinue interest payments accruing on balances as of April 1, 2016.

Gain (loss) on foreign exchange

The Company reported losses (gains) on foreign exchange of $9,560 and $(11,802) during the first three months of fiscals 2017 and 2016 respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized, of transactions and period 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 the first quarters of fiscals 2017 and 2016 was $(515,753) and $(523,995) 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, 2016, the accrued and unpaid dividends on the Class A preferred shares were $11,294,500.

Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2017, 2016 and 2015:

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

	June 30 2017 Q1-2017	**Mar 31 2016 Q4-2016**	**Dec 31 2015 Q3-2016**	**Sept 30 2015 Q2-2016**	**June 30 2015 Q1-2016**	**Mar 31 2015 Q4-2015**	**Dec 31 2014 Q3-2015**	**Sept 30 2014 Q2-2015**
	$	$	$	$	$	$	$	$
Revenue	4,143	4,716	3,648	3,622	3,760	3,910	3,970	6,770
Net (loss) profit and total comprehensive (loss) income	(149)	(201)	(536)	(1,365)	(157)	(795)	(120)	1,040
Net (loss) profit attributed to common shareholders	(589)	(589)	(903)	(1,731)	(524)	(1,161)	(606)	674
Basic and diluted (loss) earnings per share	(0.05)	(0.05)	(0.07)	(0.13)	(0.04)	(0.09)	(0.03)	0.05

Liquidity and Capital Resources

($000s)	**June 30, 2016**	June 30, 2015	**Change**
	$	$	$
Cash	**(962)**	596	(1,558)
Working Capital	**(496)**	1,185	(1,681)

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	Change
Net cash (used in) provided by:			
	$	$	$
Operating activities	**(468)**	933	(1,401)
Investing activities	**(156)**	(43)	(113)
Financing activities	**(334)**	(351)	17

Cash

As at June 30, 2016, the Company was in a cash deficit balance of $962,174, a decrease of $957,598 from March 31, 2016.

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Working Capital

Working capital represents current assets less current liabilities. As at June 30, 2016, the Company had negative working capital of $(495,709) compared to a negative working capital of $(376,485) at March 31, 2016 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 and debt service ratios). The Company was in breach of the Company was in breach of the debt servicing ratio as at March 31, 2016 to which the bank has provided forbearance until April 1, 2017. The bank expects the Company to be back in covenant by March 31, 2017. 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 $949,939 and $1,319,970 as at June 30, 2016 and March 31, 2016 respectively.

Cash provided by (used in) Operating activities
Cash used in operating activities for the first three months of fiscal 2017 was $(467,640) representing a decrease of $1,400,202 from cash provided of $932,562 for the respective period during fiscal 2016. Cash provided by operating activities in the first three months of fiscal 2017 was primarily the result of decrease in accounts payable and deferred revenue balances and an increase in both unbilled and inventory balances from March 31, 2016.

Cash (used in) Investing activities
Cash used in investing activities for the first three months of fiscal 2017 was $(155,757) representing an increase of $113,067 from cash used in investing activities of $(42,690) in the respective period during fiscal 2016. The increase in cash used during the first three months of fiscal 2017 was primarily due to the payments to acquire capital.

Cash (used in) by financing activities
Cash used in financing activities for the first three months of fiscal 2017 was $(334,202) representing a decrease of $17,148 from cash used of $(351,350) in the respective period during fiscal 2016. Cash used in financing activities during the first three months of fiscal 2017 relates primarily to repayment of long term debt.

Outlook – Going Concern

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at June 30, 2016, the Company had an accumulated deficit of $2,714,866 and, for the period then ended, the Company incurred a total comprehensive loss of $149,253. As at June 30, 2016, the Company had negative working capital of $495,709 and no cash on hand. The Company has in place a credit facility of up to $2.1M through its bank based on acceptable trade receivables and inventory (amount outstanding as at June 30, 2016, $1,195,620 which includes a letter of credit in the amount of $456,179). The Company's analysis of forecasted sales and expenses indicate improvement in both sales and cash flow after July 2016 as a result of contracts bid and or signed and their expected margins on these projects. As a result, the Company believes that it has sufficient cash resources to meet its obligations. However, should (i) the Company's bank credit facility fail to be available or fail to have sufficient availability to meet the Company's cash requirements and/or (ii) forecasts fall short of expectations in one or more of the Company's divisions, which is unanticipated, this will impact the Company's ability to generate sufficient cash to meet its requirements and will impact its ability to continue as a going concern.

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.

On July 20, 2015 the Company, through a wholly-owned subsidiary completed the acquisition of a 33,000 sq. ft. manufacturing facility in Barry's Bay, ON for the manufacturing of its Madawaska Door business.

Due to Related Parties

	June 30, 2016	March 31, 2016
	$	$
Due to senior officers	**4,414,740**	4,456,950
Dividends payable	**60,000**	60,000
Due to Targa Group Inc., convertible debentures	**247,672**	247,672
Due to Tidal Quality Management Inc.	**260,968**	265,968
Due to Targa Group Inc., demand loan	**66,581**	66,581
Due to Targa Group Inc., line of credit	**628,263**	639,563
Due to Targa Group Inc., demand loan interest	**134,812**	134,812
	5,813,036	5,871,546
Less: current portion	**-**	-
	5,813,036	5,600,732

As at June 30, 2016, a balance of $4,414,740 ($3,179,106 principal and $1,235,634 interest) remained owing to senior officers of the Company. The senior officers have agreed to cancel their current consulting agreements and discontinue interest payments accruing on balances as of April 1, 2016. Balances are classified as long-term as the parties have agreed not to demand repayment before September 2017.

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 (2014 - $60,000) of the dividend remains outstanding as of June 30, 2016. The balance is classified as long-term as the related party has agreed not to demand payment before September 2017.

As at June 30, 2016, a balance of $247,672 (2014 - $247,672) of the due to related parties is convertible into common shares of the Company at a rate of $0.0115 at the option of Targa). The balance is classified as long-term as the related party has agreed not to demand payment before September 2017.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears owing to this related party amounted to $174,974 (March 31, 2016 - $174,974). The Company accepted partial financing in the form of a note payable in the amount of $373,473 during fiscal 2014 from Tidal for a new facility in Pocono Summit. As at June 30, 2016 a balance of $325,109 remains outstanding. Loans totaling $420,003 owed to Spotton by Tidal have been consolidated into the net balance as of April 1, 2014 with the acquisition of Spotton Corp by the Company. The party agreed to discontinue interest accruing on unpaid balances as at April 1, 2016. Until then the interest was at bank prime plus 2% and accrued on the principal balance for a balance of $182,889 as of June 30, 2016 (March 31, 2016 - $182,889). The party has agreed not to demand repayment of the total balance of $279,094 (March 31, 2016 - $260,968) before September 2017 and the amount is classified as long-term.

The Company has a demand loan of up to $1,800,000 with Targa. Under the loan agreement, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The party has agreed to discontinue interest payments accruing on balances as of April 1, 2016. The Targa Demand Loan is secured by a security interest granted over the assets of the Company. At June 30, 2016 $NIL, (March 31 2016 - $NIL) remained outstanding on the demand loan with accumulated interest of $66,581 (March 31, 2016 - $66,581) for a balance of $66,581 (March 31, 2016 - $66,581).

The Company has a revolving Line of Credit of up to $1,000,000 with Targa. Under the loan agreement, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The party has agreed to discontinue interest payments accruing on balances as of April 1, 2016. At June 30, 2016, $385,665 (March 31, 2016 - $396,965) remained outstanding on the Line of Credit with accumulated interest of $242,598 (March 31, 2016 - $242,598) for a balance of $628,263 (March 31, 2016 - $639,593). Targa has agreed that it will not demand repayment before September 2017 and, accordingly, the amounts are classified as long-term.

Accumulated interest in the amount of $134,812 (March 31, 2016 - $134,812), on a loan from Targa remains outstanding as of June 30, 2016. The party has agreed not to demand repayment before September 2017 and, accordingly, the amount is classified as long-term.

New Standards effective April 2018

IFRS 9: Financial Instruments

Issued in July 2014, IFRS 9 replaces IAS 39 *Financial Instruments: recognition and measurement* (“IAS 39”). This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods 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. The standard also adds guidance on the classification and measurement of financial liabilities and introduces a new hedge accounting model. This IFRS, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

IFRS 15: Revenue from Contracts with Customers

Issued in May 2014, IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The main principle of this standard is that an entity shall recognize revenue to depict the transfer of promised services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Adoption of this IFRS is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

IFRS 16: Leases

Issued in January 2016, IFRS 16 Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This IFRS, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

Summary of Outstanding Share Data

As at August 24, 2016, the following equity instruments of the Company were issued and outstanding:

Common Shares: 12,925,253

Class A Preferred Shares: * 18,325

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

Convertible Debentures:** $nil principal value

** The Company has issued various tranches of convertible debentures to related parties for total outstanding value at June 30, 2016, 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.