



PLAINTREE

SYSTEMS INC.

TRIODETTIC

Domes, Space Frames
Foundation Systems

HYPERNETICS

Design and Manufacturing
Aerospace Parts

SPOTTON

Hydraulic Cylinders

SUMMIT

Aerospace
Industry

Q1 - 2020

**For the three months ending
June 30, 2019**

“Notice to Reader”

The accompanying unaudited interim financial statements of Plaintree Systems Inc. for the three months ended June 30, 2019 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company’s external auditors.

Date: August 20, 2019

“David Watson”

David Watson
CEO

Plaintree Systems Inc.

Consolidated statements of financial position

as of June 30, 2019 and March 31, 2019

(in Canadian dollars)

	June 30, 2019 (unaudited)	March 31, 2019 (audited)
	\$	\$
Assets		
Current assets		
Cash	1,100,719	838,280
Trade receivables and other receivables	3,148,100	4,296,018
Unbilled revenue	567,246	882,341
Inventories (Note 5)	1,124,349	1,037,430
Prepaid expenses and other receivables	164,109	115,760
Assets held for sale (Note 4)	3,927,657	4,152,032
	10,032,180	11,321,861
Property, plant and equipment (Note 9)	4,663,594	4,449,861
Intangible assets (Note 10)	361,272	395,129
	15,057,046	16,166,851
Liabilities		
Current liabilities		
Cash deficit	-	1,649,071
Trade and other payables	1,527,465	1,641,285
Liabilities directly associated with assets held for sale (Note 4)	304,270	305,593
Deferred revenue	1,121,166	509,976
Current portion of long-term debt (Note 6)	169,942	169,942
Current portion of due to related parties (Note 11)	50,000	50,000
Current portion of deferred government assistance (Note 8)	15,900	15,900
Current portion of obligations under lease capital (Note 7)	331,840	273,847
Current portion of government assistance (Note 8)	47,500	47,500
	3,568,083	4,663,114
Long-term debt (Note 6)	716,425	763,218
Deferred government assistance (Note 8)	71,022	76,944
Obligations under lease capital (Note 7)	960,517	613,218
Repayable government assistance - other (Note 8)	525,648	549,377
Due to related parties (Note 11)	5,766,569	5,816,178
Deferred tax liabilities (Note 16)	129,000	129,000
	11,737,264	12,611,049
Shareholders' equity (deficiency)		
Issued capital (Note 12)	2	2
Contributed surplus	2,090,750	2,090,750
Retained earnings (deficit)	1,229,030	1,465,050
	3,319,782	3,555,802
	15,057,046	16,166,851

Approved by the Board

"David Watson""Girvan Patterson"

The accompanying notes are an integral part of the consolidated financial statements.

Plaintree Systems Inc.

Consolidated statements of comprehensive earnings
for the three months ending June 30, 2019 and June 30, 2018
(unaudited)
(in Canadian dollars)

	Three months ending	
	June 30, 2019	June 30, 2018
	\$	\$
Revenue	3,544,687	3,394,751
Cost of sales	2,967,091	3,064,553
Gross margin	577,596	330,198
Operating expenses		
Research and development	268,456	327,803
Finance and administration	412,402	303,039
Sales and marketing	150,575	94,664
Interest expense	66,603	89,040
Loss on foreign exchange	128,660	21,171
	1,026,696	835,717
Net (loss) from continuing operations	(449,101)	(505,519)
Gain on operations held for sale (Note 4, 13)	213,081	626,138
Net (loss) earnings and comprehensive (loss) earnings	(236,020)	120,619
Basic and diluted (loss) per common share (Note 13)		
From continuing and held for sale operations	(0.05)	(0.02)
From continuing operations	(0.06)	(0.07)
Weighted average common shares outstanding	12,925,253	12,925,253

The accompanying notes are an integral part of the consolidated financial statements.

Plaintree Systems Inc.

Consolidated statements of cash flows

for the three months ended June 30, 2019 and June 30, 2018

(unaudited)

(in Canadian dollars)

	Three months ending	
	June 30, 2019	June 30, 2018
	\$	\$
Operating activities		
Comprehensive (loss) earnings	(236,020)	120,621
Add (deduct) items not affecting cash:		
Assets held for sale	224,375	-
Liabilities on assets held for sale	(1,323)	-
Depreciation of intangible assets	33,858	34,004
Depreciation of property, plant and equipment	335,661	225,777
Changes in non-cash operating working capital items		
Trade and other receivables	1,147,917	(1,483,177)
Unbilled revenue	315,095	924,208
Inventories	(86,919)	(317,944)
Prepaid expenses and other receivables	(48,349)	(236,023)
Trade and other payables	(113,820)	(6,484)
Deferred revenue	611,190	194,497
Cash provided (used) by operations	2,181,666	(544,521)
Investing activities		
Payments to acquire intangible assets	-	(4,926)
Payments to acquire property, plant and equipment	(61,634)	(78,663)
Cash (used) in investing activities	(61,634)	(83,589)
Financing activities		
Repayment of government assistance	(29,651)	151
Repayment of long-term debt	(46,793)	(25,857)
Repayment of capital lease obligations	(82,468)	(36,416)
Increase (decrease) in related party borrowings (Note 11)	(49,609)	(65,323)
Cash (used) provided in financing activities	(208,521)	(127,445)
Net cash inflow	1,911,510	(755,555)
(Net cash deficit) (beginning of the year)	(810,791)	(314,710)
Net cash (cash deficit), end of the period	1,100,719	(1,070,265)

The accompanying notes are an integral part of the consolidated financial statements.

PLAINTREE SYSTEMS INC.

Consolidated Statement of changes in equity
for the periods ended June 30, 2019 and June 30, 2018
(unaudited)
(in Canadian dollars)

	Common Shares Number	Issued Capital \$	Preferred Shares (1) Number	Issued Capital \$	Contributed Surplus \$	Retained earnings (deficit) \$	Shareholders' Equity \$
Balances at March 31, 2018	12,925,253	1	18,325	1	2,090,750	(2,657,732)	(566,980)
Adjustment on initial application of IFRS 15 (note 3)						456,311	456,311
Adjusted balance, April 1, 2018	12,925,253	1	18,325	1	2,090,750	(2,201,421)	(110,669)
Net earnings and comprehensive earnings						120,621	120,621
Balances at June 30, 2018	12,925,253	1	18,325	1	2,090,750	(2,080,800)	9,952
	Common Shares Number	Issued Capital \$	Preferred Shares (1) Number	Issued Capital \$	Contributed Surplus \$	Retained earnings (deficit) \$	Shareholders' Equity \$
Balances at March 31, 2019	12,925,253	1	18,325	1	2,090,750	1,465,050	3,555,802
Net (losses) and comprehensive (losses)						(236,020)	(236,020)
Balances at June 30, 2019	12,925,253	1	18,325	1	2,090,750	1,229,030	3,319,782

(1) Class A Shares have a 8% cumulative dividend, calculated on redemption amount, redeemable at the option of the Company at any time at \$1000 per share plus accrued dividends; non-voting.

* The Company adopted IFRS 15 as described in Note 3. Under this adoption, the comparative information is not restated.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

1. Description of the business

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, consisting of Summit Aerospace USA Inc. ("Summit Aerospace") and a Specialty Structures division (the Triodetic business) and Spotton Corporation. Plaintree is a diversified company with proprietary technologies and manufacturing capabilities in structural design and aerospace. 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.

Until October 31, 2018, the Specialty Structures division included Madawaska Doors business. On March 31, 2019, the Company completed the sale of assets and the business of Madawaska Doors.

Until March 31, 2019, the Electronics division included the business of Hypernetics, a manufacturer of avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids, and permanent magnet alternators. The assets and liabilities associated with this business were held for sale as at March 31, 2019.

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

2. Basis of presentation

(a) Statement of compliance

The condensed consolidated unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved for issue by the Board of Directors on August 20, 2019. The unaudited consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* using the accounting policies disclosed below. These statements should be read in conjunction with the audited financial statements and notes included in the Annual Report for the year ended March 31, 2019.

(b) Basis of measurement

These condensed consolidated unaudited interim financial statements have been prepared on a historical cost basis except for share-based compensation and for the purchase price allocation for business combinations, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

(c) Basis of consolidation

The condensed consolidated unaudited interim financial statements include the accounts of Plaintree Systems Inc. and its wholly-owned subsidiaries: Summit Aerospace USA Inc. and Triodetic Inc. (U.S. companies), Spotton Corp. (Canadian company) and Madawaska Doors Inc., which was discontinued on March 2018, through its wholly-owned subsidiary, 9366920 Canada Inc. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Company. All inter-company transactions have been eliminated.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

3. Significant accounting policies

Except as described below the accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements for the year ending March 31, 2019.

The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ended March 31, 2020.

New Standards effective April 1, 2019

IFRS 16 - Leases

IFRS 16 Leases ("IFRS 16") The IASB issued a new standard, IFRS 16 on January 13, 2016, which supersedes IAS 17 Leases. The new standard brings most leases on the balance sheet for lessees under a single model and eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will come into effect for periods beginning on or after April 1, 2019. There was no material impact of the transition to IFRS 16 on the Company's statements.

4. Operations held for sale

Madawaska Doors

As of October 2018, the Company deemed the assets of 9366920 Canada Inc (operating as Madawaska Doors) as held for sale. The business closed in the Company's third fiscal quarter. In March 2019 the company completed the sale of the assets and business of Madawaska doors. The Company's inventory, equipment and building were all included in the purchase price of \$300,000. Net losses for the year of (\$132,806) are included in the earnings (losses) from discontinued operations.

Hypernetics

In the fourth quarter of fiscal 2019, the Company began to actively market for sale its Hypernetics business, which manufactures avionic components for multiple applications. The business is available for sale in its present condition and it is anticipated that a sale will be completed in fiscal 2020. As a result, at March 31, 2019, the assets and associate liabilities have been classified and accounted for as held for sale on the consolidated statements of financial position and the operating results have been reported on the consolidated statements of comprehensive earnings as discontinued operations. The assets of Hypernetics are measured at the lower of their carrying amount less cost to sell. Summarized financial information for Hypernetics is shown below:

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

4. Operations held for sale, continued

	<u>June 30, 2019</u> (unaudited)	<u>March 31, 2019</u> (audited)
	\$	\$
Assets held for sale		
Accounts receivable	352,059	618,901
Unbilled revenue	505,883	604,844
Inventory	704,198	562,770
Equipment	<u>157,687</u>	<u>157,687</u>
Assets of component held for sale	1,719,827	1,944,202
Liabilities held for sale		
Accounts payable and accrued	<u>304,270</u>	<u>305,593</u>
Deferred tax asset	<u>2,207,830</u>	<u>2,207,830</u>
Net assets held for sale	<u>3,623,387</u>	<u>3,846,439</u>
Revenues	<u>Three months</u> <u>ending June 30, 2019</u> (unaudited)	<u>Three months</u> <u>ending June 30, 2018</u> (audited)
	\$	\$
Hypernetics	599,218	1,385,562
9366920 Canada Inc dba Madawaska Doors	<u>-</u>	<u>251,063</u>
	<u>599,218</u>	<u>1,636,625</u>
Gain (loss) on sale of operations held for sale		
Hypernetics	213,081	677,382
9366920 Canada Inc dba Madawaska Doors	<u>-</u>	<u>(51,244)</u>
Net gain on operations held for sale	<u>213,081</u>	<u>626,138</u>

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

5. Inventories

	June 30, 2019	March 31, 2019
	(unaudited)	(audited)
	\$	\$
Raw materials	1,097,640	619,598
Work in process	26,709	417,832
	1,124,349	1,037,430

The cost of inventories recognized as an expense during the three months ending June 30, 2019 was \$2,944,994 (\$3,041,490 - June 30, 2018). The total carrying value of inventory as at June 30, 2019, was pledged as security through general security agreements under bank lines of credit and related party liabilities.

The Company wrote down its inventories by \$NIL during the first three months of fiscal 2020 (\$NIL in first three months of fiscal 2019) to reflect where the carrying amount exceeded net realizable value. The Company had write ups in the first quarter totaling \$NIL, (\$NIL in 2019).

6. Long-term debt

	June 30, 2019	March 31, 2019
	(unaudited)	(audited)
	\$	\$
Non-revolovng loan payable in monthly blended installments of principal and interest, \$8,061, at a rate of 4.728%, secured by general security agreement, maturing March 2022.	410,866	430,000
Non-revolovng loan payable (\$453,517 USD) in monthly blended installments of principal and interest, \$8,714 USD, at a rate of 5.746%, secured by general security agreement, maturing March 2022.	573,733	606,035
Deferred financing fees	(98,232)	(102,876)
Current portion	886,367	933,160
	(169,942)	(169,942)
	716,425	763,218

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

7. Obligation under capital lease

	June 30, 2019 (unaudited) \$	March 31, 2019 (audited) \$
Capital lease payable in monthly installments of \$639, bearing interest at 2.49% per annum, maturing October 2019	2,542	4,435
Capital lease payable in monthly installments of \$2,959 USD, bearing interest at 7.0 % per annum, maturing June 2021	89,849	98,529
Capital lease payable in monthly installments of \$1,254, bearing interest at 8.67 % per annum, maturing May 2022	36,296	38,803
Capital lease payable in monthly installments of \$4,644 USD bearing interest at 5.489 % per annum, maturing May 2023.	256,490	276,798
Capital lease payable in monthly installments of \$1,222, bearing interest at 4.968% per annum, maturing May 2021.	23,685	26,611
Capital lease payable in monthly installments of \$6,899 USD, bearing interest at 4.50% per annum, maturing October 2021	163,352	172,541
Capital lease payable in monthly installments of \$2767, USD, bearing interest at 5.79% per annum, maturing July 2023	239,573	269,348
Capital lease payable in monthly installments of \$6,901, USD, bearing interest at 5.19% per annum, maturing May 2014.	480,569	-
	1,292,357	887,065
Current portion	(331,840)	(273,847)
	960,517	613,218

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

8. Government assistance

The Company's Summit Aerospace USA Inc. division accepted a loan of \$720,000 USD (\$942,264 CAD) from the Pennsylvania Industrial Development Authority (PIDA) as partial financing towards the manufacturing facility in Pocono Summit, PA purchased in May 2013. Monthly repayments are amortized over fifteen years at a fixed rate of 1.5%. The loan is secured by the related land and building.

The Company records the government loan at its estimated fair value at the date in which the payments are recorded. The estimated fair value of the loan payable is determined by discounting future cash flows associated with the loan at a discount rate which represents the estimated borrowing rate to the Company. The difference between the face value of the loan and the estimated fair value is deemed to be government assistance. The loan payable is accreted to the face value over the term of the loan and is recognized as accretion expense.

	Loan present value	Deferred Government Assistance	Repayable government assistance
	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$
Opening Balance	619,951	105,710	725,661
Loan adjustment for exchange	(35,494)	(14,693)	(50,186)
Repayments	(15,405)		(15,405)
Accretion	4,095	(4,095)	-
June 30, 2019	573,148	86,922	660,070
Current Portion	(47,500)	(15,900)	(63,400)
Balance	525,648	71,022	596,670

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

9. Property, plant and equipment, (unaudited)

Included in factory equipment are items under capital leases with a cost of \$1,732,238 and accumulated amortization of \$212,577 (2019 – cost of \$1,244,478 and accumulated amortization of \$181,925). Included in vehicles are items under capital lease with a cost of \$34,851 and accumulated amortization of \$34,851 (2019 – cost of \$34,851 and accumulated amortization of \$34,851).

	Factory equipment	Computer equipment	Furniture	Vehicles	Lease improvements	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost, balance								
March 31, 2018	7,736,569	1,062,691	202,313	420,221	2,240,969	1,784,553	275,431	13,722,747
Additions	1,013,403	4,208	-	17,017	288,314	-	-	1,322,942
Assets classified as								
held for sale	(157,686)	-	-	-	-	-	-	(157,686)
Disposals	(149,649)	-	-	-	-	(47,219)	(40,000)	(236,868)
March 31, 2019	8,442,636	1,066,899	202,313	437,238	2,529,283	1,737,334	235,431	14,651,134
Additions	545,757	3,637	-	-	-	-	-	549,394
June 30, 2019	8,988,393	1,070,536	202,313	437,238	2,529,283	1,737,334	235,431	15,200,528
Accumulated depreciation, balance								
March 31, 2018	(5,750,632)	(1,045,108)	(199,514)	(377,327)	(1,322,145)	(560,495)	-	(9,255,221)
Depreciated	(588,578)	(11,460)	(883)	(23,617)	(220,045)	(101,469)	-	(946,052)
March 31, 2019	(6,339,210)	(1,056,568)	(200,397)	(400,944)	(1,542,190)	(661,964)	-	(10,201,273)
Depreciated	(219,303)	(2,783)	(220)	(5,348)	(70,740)	(37,267)	-	(335,661)
June 30, 2019	(6,558,513)	(1,059,351)	(200,617)	(406,292)	(1,612,930)	(699,231)	-	(10,536,934)
Carrying amount,								
June 30, 2019	2,429,880	11,185	1,696	30,946	916,353	1,038,103	235,431	4,663,594
March 31, 2019	2,103,426	10,331	1,916	36,294	987,093	1,075,370	235,431	4,449,861

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

10. Intangibles, (unaudited)

The intangible asset balance consists primarily of a customer relationship amount.

Cost, balance	
March 31, 2018	1,514,300
Additions	4,926
March 31, 2019	1,519,226
Additions	-
June 30, 2019	1,519,226
Accumulated Depreciation, balance	
March 31, 2018	(986,988)
Depreciation	(137,109)
March 31, 2019	(1,124,097)
Depreciation	(33,858)
June 30, 2019	(1,157,955)
Carrying amount,	
June 30, 2019	361,272
March 31, 2019	395,129

11. Due to related parties

	June 30, 2019 \$ (unaudited)	March 31, 2019 \$ (audited)
Due to senior officers	4,065,640	4,083,141
Dividends payable	60,000	60,000
Due to Targa Group Inc, convertible debentures	247,672	247,672
Due to Tidal Quality Management Inc.	824,282	824,209
Due to Targa Group Inc, line of credit	417,581	449,763
Due to Targa Group Inc, demand loan interest	201,393	201,393
	5,816,569	5,866,178
Less: current portion	(50,000)	(50,000)
	5,766,569	5,816,178

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

As at June 30, 2019, a balance of \$4,065,640 (\$2,830,006 principal and \$1,235,634 interest) (\$4,083,141 (\$2,847,507 principal and \$1,235,634 interest) in March 2019) 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 three months of fiscal 2020 payments in the amount of

\$17,500 was repaid to a former senior officer. The balance of amount of \$4,015,640 is classified as long-term as the parties have postponed and subordinated their loans while certain facilities remain outstanding.

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

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

11. Due to related parties, con't

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 in 2019) of the dividend remains outstanding as at June 30, 2019. The balance is classified as long-term as the related party has agreed not to demand payment before September 2020.

As at June 30, 2019, interest in the amount of \$247,672 (\$247,672 in 2019) on a loan from Targa remains outstanding. The related party has agreed not to demand payment before September 2020 and, accordingly, the amount is classified as long-term.

As at June 30, 2019, a balance of \$269,835 (\$269,762 in March 31, 2019) remains outstanding on a loan from Tidal, a company controlled by Targa. 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%. The related party has agreed not to demand payment before September 2020 and, accordingly, the amount is classified as long-term.

On May 31, 2017, Tidal refinanced its approximately \$345,000 mortgage on one of its properties, increasing the mortgage to \$900,000. Plaintree guaranteed the Tidal loan and granted a security interest over its assets as security for this guarantee. Tidal used a portion of the proceeds from the refinancing to loan \$554,447 to the Company. Until March 31, 2019 the related party loan incurred interest at a rate of 14% per annum, and following this date. The balance is classified as long-term as the related party has agreed not to demand payment before September 2020.

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 June 30, 2019, \$174,983 (\$207,165 in 2019) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 in 2019) for a balance of \$417,581 (\$449,763 in 2019). Targa has agreed that it will not demand repayment before September 2020 and, accordingly, the amounts are classified as long-term.

Accumulated interest in the amount of \$201,393 (\$201,393 in 2019), on a prior year demand loan from Targa remains outstanding as of June 30, 2019. The party has agreed not to demand repayment before September 2020 and, accordingly, the amount is classified as long-term.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

12. Share capital

Authorized, unlimited number

Common shares

Class A preferred shares

Class A 8% cumulative dividend, calculated on redemption amount, redeemable at the option of the Company at any time at \$1,000 per share plus accrued dividends; liquidation preference of the redemption value plus cumulative dividends (when and if declared) to common shares; non-voting. As at June 30, 2019, the accrued and unpaid dividends on Class A preferred shares were \$15,692,500 (\$15,326,000 – March 31, 2019).

Issued

Common shares	12,925,253
Class A preferred shares	18,325

Stock option plans

The Company's Stock Option Plan allows the Company to grant options to officers and service providers to a maximum number of 1,200,000.

Options under the stock option plans are issued for a period as determined by the Board of Directors of the Company at the time of grant up to a period of ten years from the date of grant and the exercise price may not be less than the latest closing price of the common shares on the last trading day preceding the date of grant. Eligibility is determined by the Company's Board of Directors and the aggregate number available for issuance to any one person may not exceed 5% of the issued and outstanding common shares.

There are no stock options outstanding as at June 30, 2019 or March 31, 2019.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

13. Basic and diluted earnings per common share

Net (loss) income attributable to common shares used in the numerator of basic and diluted earnings per share is calculated as follows:

For the periods ended June 30, 2019 and March 31, 2019, diluted earnings per share equals basic earnings per share, due to the anti-dilutive effect of options and convertible instruments.

	June 30, 2019 (unaudited)	March 31, 2019 (audited)
	\$	\$
Net (loss) profit on continuing and held for sales operations	(236,020)	120,619
Cumulative dividends on preferred shares - per annum	(366,500)	(366,500)
Net (loss) profit attributed to common shares (basis and diluted)	(602,520)	(245,881)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted earnings (loss) per share from continuing and held for sale operations	(0.05)	(0.02)
Net (loss) profit on continuing operations	(449,101)	(505,519)
Cumulative dividends on preferred shares - per annum	(366,500)	(366,500)
Net (loss) profit attributed to common shares (basis and diluted)	(815,601)	(872,019)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted earnings (loss) per share from continuing operations	(0.06)	(0.07)

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2019 and June 30, 2018 (unaudited)

(In Canadian dollars)

14. 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 product, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$4,449,861 in property, plant and equipment, \$1,980,782 is located in Canada and \$2,469,079 in the United States. All of the Company's intangible assets are primarily located in Canada.

Revenue by division

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Electronics	714,584	686,295
Specialty Structures	2,830,102	2,708,456
	3,544,687	3,394,751

Revenue by geographical location

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Canada	1,720,319	2,089,376
United States	812,050	943,572
Chile	26,809	262,401
Peru	854,307	-
Other	131,202	99,402
	3,544,687	3,394,751

Net (loss) earnings before taxes by division - Continuing operations

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Electronics	(407,342)	(185,932)
Specialty Structures	(41,759)	(319,587)
	(449,101)	(505,519)

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

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
Number of customers	2	2
% of total revenue	16%, 24%	12%, 24%

Assets by division - Continuing operations

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Electronics	5,790,801	4,307,267
Specialty Structures	5,338,589	6,898,729

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

PLAINTREE SYSTEMS INC.

For the three months ended June 30, 2019 and June 30, 2018

Date: August 20, 2019

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 three months ended June 30, 2019 and June 30, 2018. 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 20, 2019 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 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

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

decisions; current, pending and proposed legislative or regulatory developments in the 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. 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". The Company operates an Electronics division, consisting of Summit Aerospace USA Inc. ("Summit Aerospace") and a Specialty Structures division (the Triodetic business) and Spotton Corporation. Plaintree is a diversified company with proprietary technologies and manufacturing capabilities in structural design and aerospace. 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.

Until October 31, 2018, the Specialty Structures division included Madawaska Doors business. On March 31, 2019, the Company completed the sale of assets and the business of Madawaska Doors.

Until March 31, 2019, the Electronics division included the business of Hypernetics, a manufacturer of avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids, and permanent magnet alternators. The assets and liabilities associated with this business were held for sale as at March 31, 2019.

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.

Selected 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:

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

(\$000s, except per share amounts)

	Three months ending	
	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Revenue	3,545	3,395
Net (loss) earnings and comprehensive earnings	(236)	121
Net earnings (loss) attributed to common shareholders	(603)	(246)
Basic and diluted (loss) per share	(0.05)	(0.02)

(\$000s, except per share amounts)

	June 30, 2019	March 31, 2019
		(unaudited)
	\$	\$
Total assets	15,057	16,167
Total liabilities	11,737	12,611
Long-term liabilities	8,169	7,948
Cash dividends declared per share	nil	nil

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

Results from Operations

(\$000s)	Three months ending		Change from
	June 30, 2019	June 30, 2018	
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	3,545	3,395	150
Cost of sales	2,967	3,065	(98)
Gross margin	578	330	248
	16%	10%	
Operating expenses:			
Research and development	268	328	(60)
Finance and administration	412	303	109
Sales and marketing	151	94	57
Interest expense	67	89	(22)
Loss on foreign exchange	129	21	108
	1,027	835	192
Net (loss) and comprehensive (loss) before other income	(449)	(505)	56
Other gains			
Gain from discontinued operations	213	626	(413)
Net (loss) earnings and comprehensive (loss) earnings	(236)	121	(357)

Operations held for sale

Madawaska Doors

As of October 2018, the Company deemed the assets of 9366920 Canada Inc (operating as Madawaska Doors) as held for sale. The business closed in the Company's third fiscal quarter. In March 2019 the company completed the sale of the assets and business of Madawaska doors. The Company's inventory, equipment and building were all included in the purchase price of \$300,000.

Hypernetics

In the fourth quarter of fiscal 2019, the Company began to actively market for sale its Hypernetics business, which manufactures avionic components for multiple applications. The business is available for sale in its present condition and it is anticipated that a sale will be completed in fiscal 2020. As a result, at March 31, 2019, the assets and associate liabilities were classified and accounted for as held for sale on the consolidated statements of financial position and the operating results have been reported on the consolidated statements of comprehensive earnings as discontinued operations. The assets of Hypernetics are measured at the lower of their carrying amount less cost to sell. Summarized financial information for Hypernetics is shown below:

	June 30, 2019 (unaudited)	March 31, 2019 (audited)
	\$	\$
Assets held for sale		
Accounts receivable	352,059	618,901
Unbilled revenue	505,883	604,844
Inventory	704,198	562,770
Equipment	157,687	157,687
Assets of component held for sale	<u>1,719,827</u>	<u>1,944,202</u>
Liabilities held for sale		
Accounts payable and accrued	<u>304,270</u>	<u>305,593</u>
Deferred tax asset	<u>2,207,830</u>	<u>2,207,830</u>
Net assets held for sale	<u>3,623,387</u>	<u>3,846,439</u>
Revenues	Three months ending June 30, 2019 (unaudited)	Three months ending June 30, 2018 (audited)
	\$	\$
Hypernetics	599,218	1,385,562
9366920 Canada Inc dba Madawaska Doors	<u>-</u>	<u>251,063</u>
	<u>599,218</u>	<u>1,636,625</u>
Gain (loss) on sale of operations held for sale		
Hypernetics	213,081	677,382
9366920 Canada Inc dba Madawaska Doors	<u>-</u>	<u>(51,244)</u>
Net gain on operations held for sale	<u>213,081</u>	<u>626,138</u>

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 product, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$4,449,861 in property, plant and equipment, \$1,980,782 is located in Canada and \$2,469,079 in the United States. All of the Company's intangible assets are primarily located in Canada.

Revenue by division

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Electronics	714,584	686,295
Specialty Structures	2,830,102	2,708,456
	3,544,687	3,394,751

Revenue by geographical location

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Canada	1,720,319	2,089,376
United States	812,050	943,572
Chile	26,809	262,401
Peru	854,307	-
Other	131,202	99,402
	3,544,687	3,394,751

Net (loss) earnings before taxes by division - Continuing operations

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Electronics	(407,342)	(185,932)
Specialty Structures	(41,759)	(319,587)
	(449,101)	(505,519)

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

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
Number of customers	2	2
% of total revenue	16%, 24%	12%, 24%

Assets by division - Continuing operations

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
	\$	\$
Electronics	5,790,801	4,307,267
Specialty Structures	5,338,589	6,898,729

Revenues

Total product revenue from ongoing operations for the three months ending June 30, 2019 was \$3,544,687 compared to \$3,394,751 for the three months ended June 30, 2018.

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

Plaintree's Electronics Division revenues from ongoing operations increased during the first quarter of fiscal 2020 to \$714,584 compared to \$686,295 during the same quarter of fiscal 2019.

Plaintree's Specialty Structures Division revenues from ongoing operations increased to \$2,830,102 in the first quarter of fiscal 2020 from \$2,708,456 in the same quarter of fiscal 2019.

Gross Margin

Total gross margin from continuing operations increased for the first three months of fiscal 2020 to 16% compared to 10% for the same period in fiscal 2019. The increase in the gross margin is primarily attributed to product mixture between the periods.

Operating Expenses

Research and development expenses

Research and development expenses were \$268,456 and \$327,803 in the first three months of fiscals 2020 and 2019, 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 2020.

Finance and administration expenses

Finance and administration expenses were \$412,402 and \$303,039 in the first three months of fiscals 2020 and 2019, 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 2020.

Sales and marketing expenses

Sales and marketing expenses were \$150,575 and \$94,664 in the first three months of fiscals 2020 and 2019, respectively. These expenses consisted primarily of personnel and related costs associated with 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 current levels in fiscal 2020.

Interest expense

Interest expense consists of interest incurred on bank and related party debt. Interest expenses amounted to \$66,603 and \$89,040 for the three months ended June 30, 2019 and June 30, 2018 respectively. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest. During fiscal 2018, a related party refinanced its approximately \$345,000 mortgage on one of its properties, increasing the mortgage to \$900,000. Plaintiff guaranteed the loan and granted a security interest over its assets as security for this guarantee. The related party used a portion of the proceeds from the refinancing to loan \$554,447 to the Company. The related party loan bore interest at a rate of 14% per annum until March 31, 2019 when it was refinanced by the related party's bank. Interest is payable monthly and the principal is due on maturity. All other related parties with loans to the Company agreed to discontinue interest payments accruing on balances as of April 1, 2016.

Gain on foreign exchange

The Company reported loss on foreign exchange of \$128,660 and \$21,171 for the three months ended June 30, 2019 and June 30, 2018, 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 first quarter of fiscal 2020 and fiscal 2019 was \$(602,520) and \$(245,881) respectively. Net income 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 June 30, 2019 the accrued and unpaid dividends on the Class A preferred shares were \$15,692,500 (March 31, 2018 - \$15,326,000).

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 2020, 2019 and 2018:

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

(1) Revenue of discontinued operations has been removed for all periods.

	Jun-30 2019 Q1 2020	Mar-31 2019 Q4 2019	Dec-31 2018 Q3 2019	Sep-30 2018 Q2 2019	Jun-30 2018 Q1 2019	Mar-31 2018 Q4 2018	Dec-31 2017 Q3 2018	Sep-30 2017 Q2 2018
Revenue (1)	\$ 3545	\$ 3,472	\$ 3,758	\$ 6,378	\$ 3,395	\$ 5,366	\$ 3,460	\$ 2,986
Net (loss) earnings and total comprehensive (loss) earnings	(236)	1,877	576	1,234	121	802	817	576
Net (loss) earnings attributed to common shareholders	(603)	1,511	210	868	(246)	436	451	210
Basic and diluted (loss) earnings per share	(0.05)	0.12	0.02	0.07	(0.02)	0.03	0.03	0.02

Liquidity and Capital Resources

(\$000s)

	June 30, 2019 (unaudited) \$	June 30, 2018 (unaudited) \$
Cash	1,101	(1,070)
Working Capital	6,464	2,766

	June 30, 2019 (unaudited) \$	June 30, 2018 (unaudited) \$
Net cash (used in) provided by:		
Operating activities	2,182	(545)
Investing activities	(62)	(84)
Financing activities	(209)	(127)

Cash

As at June 30, 2019, the Company had a cash balance of \$1,100,719, an increase of \$1,911,510 from a net cash deficit balance of \$(810,791) on March 31, 2019.

Working Capital

Working capital represents current assets less current liabilities. As at June 30, 2019, the Company had working capital of \$6,464,097 compared to a working capital of \$6,658,747 at March 31, 2019.

Operating activities

Cash provided by operating activities for the first three months of fiscal 2020 was \$2,181,666 representing an increase of \$2,726,187 from cash used of \$(544,521) for the respective period during fiscal 2019. Cash provided by operating activities during the first three months of fiscal 2019 was primarily the result of collection of trade accounts receivable and deferred revenue from customer deposits.

Investing activities

Cash used in investing activities for the first three months of fiscal 2020 was \$(61,634) representing a decrease of \$21,955 from cash used in investing activities of \$(83,589) in the respective period during fiscal 2019. The increase in cash used during the first three months of fiscal 2020 was due to the payments to acquire capital.

Financing activities

Cash used in financing activities for first quarter of fiscal 2020 was \$(208,521) representing an increase of \$81,076 from cash used of \$(127,445) during first quarter of fiscal 2019. Cash used in financing activities during the first three months of fiscal 2020 relates primarily to repayment of long term debt.

Outlook

The Company has in place a credit facility of up to \$3,000,000 through its bank based on acceptable trade receivables and inventory. The total amount available to the Company as at June 30, 2019 was \$2,565,993 of which \$NIL was in use and a letter of credit in the amount of US\$287,200 (\$335,289 CAD) leaving \$2,230,704 available. The Company's analysis of forecasted sales and expenses indicate improvement in both sales and cash flow 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, beyond the next 12 months.

Due to related parties

	June 30, 2019	March 31, 2019
	\$	\$
	(unaudited)	(audited)
Due to senior officers	4,065,640	4,083,141
Dividends payable	60,000	60,000
Due to Targa Group Inc, convertible debentures	247,672	247,672
Due to Tidal Quality Management Inc.	824,282	824,209
Due to Targa Group Inc, line of credit	417,581	449,763
Due to Targa Group Inc, demand loan and interest	201,393	201,393
	5,816,569	5,866,178
Less: current portion	(50,000)	(50,000)
	5,766,569	5,816,178

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

As at June 30, 2019, a balance of \$4,065,640 (\$2,830,006 principal and \$1,235,634 interest) (\$4,083,141 (\$2,847,507 principal and \$1,235,634 interest) in March 2019) 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 three months of fiscal 2020 payments in the amount of

\$17,500 was repaid to a former senior officer. The balance of amount of \$4,015,640 is classified as long-term as the parties have postponed and subordinated their loans while certain facilities remain outstanding.

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 in 2019) of the dividend remains outstanding as at June 30, 2019. The balance is classified as long-term as the related party has agreed not to demand payment before September 2020.

As at June 30, 2019, interest in the amount of \$247,672 (\$247,672 in 2019) on a loan from Targa remains outstanding. The related party has agreed not to demand payment before September 2020 and, accordingly, the amount is classified as long-term.

As at June 30, 2019, a balance of \$269,835 (\$269,762 in March 31, 2019) remains outstanding on a loan from Tidal, a company controlled by Targa. 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%. The related party has agreed not to demand payment before September 2020 and, accordingly, the amount is classified as long-term.

On May 31, 2017, Tidal refinanced its approximately \$345,000 mortgage on one of its properties, increasing the mortgage to \$900,000. Plaintiff guaranteed the Tidal loan and granted a security interest over its assets as security for this guarantee. Tidal used a portion of the proceeds from the refinancing to loan \$554,447 to the Company. Until March 31, 2019 the related party loan incurred interest at a rate of 14% per annum, and following this date. The balance is classified as long-term as the related party has agreed not to demand payment before September 2020.

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 June 30, 2019, \$174,983 (\$207,165 in 2019) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 in 2019) for a balance of \$417,581 (\$449,763 in 2019). Targa has agreed that it will not demand repayment before September 2020 and, accordingly, the amounts are classified as long-term.

Accumulated interest in the amount of \$201,393 (\$201,393 in 2019), on a prior year demand loan from Targa remains outstanding as of June 30, 2019. The party has agreed not to demand repayment before September 2020 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.

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

New Standards effective April 2019

IFRS 16 – Leases

IFRS 16 Leases ("IFRS 16") The IASB issued a new standard, IFRS 16 on January 13, 2016, which supersedes IAS 17 Leases. The new standard brings most leases on the balance sheet for lessees under a single model and eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will come into effect for periods beginning on or after April 1, 2019. There was no material impact of the transition to IFRS 16 on the Company's statements.

Summary of Outstanding Share Data

As at August 20, 2019 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, 2019 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.