

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

Six months ending September 30, 2020 and September 30, 2019

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

PLAINTREE SYSTEMS INC.

For the three and six months ended September 30, 2020 and September 30, 2019

Date: November 24, 2020

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 six months ended September 30, 2020 and 2019. 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 November 24, 2020 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 Plaintiff's current expectations. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions, and statements regarding growth strategy and future-oriented project revenue, costs and expenditures. Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. A variety of inherent risks, uncertainties and factors, many of which are beyond Plaintiff's control, affect the operations, performance and results of Plaintiff and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include the impact or unanticipated impact of: companies evaluating Plaintiff's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the jurisdictions where Plaintiff operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the

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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". Plaintree is a diversified company with proprietary technologies and manufacturing capabilities in structural design and aerospace. The Company operates an Electronics division, consisting of the Hypernetics division and Summit Aerospace USA Inc. ("Summit Aerospace"), a Specialty Structures division (the Triodetic business) and Spotton Corporation. The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum, and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames, and industrial dome coverings. Summit Aerospace specializes in the high-end machining of super-alloys for the aircraft and helicopter markets. Spotton's business involves the design and manufacture of high-end custom hydraulic and pneumatic cylinders for the industrial, automation and oil and gas markets.

The assets and liabilities associated with the business of Hypernetics, included in the Electronics division, were held for sale as of March 31, 2019. During the fourth quarter of 2020 the Company made the decision to cease all activities associated with selling and to retain the business. As such the assets and liabilities and operations during fiscal 2020 associated with Hypernetics are continuing operations for fiscal 2020.

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 Annual 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:

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Results from Operations

(\$000s, except per share amounts)

	Three months ending		Six months ending	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 2,378	\$ 7,030	5,049	11,174
Net (loss) earnings and comprehensive (loss) earnings	(265)	1,420	85	1,184
Net (loss) earnings attributed to common shareholders	(631)	1,053	(648)	451
Basic and diluted (loss) earnings per share	(0.05)	0.08	(0.05)	0.03

(\$000s, except per share amounts)

	September 30, 2020	March 31, 2019
	(unaudited)	(audited)
Total assets	\$ 11,307	\$ 11,279
Total liabilities	10,097	10,154
Long-term liabilities	7,873	7,873
Cash dividends declared per share	nil	nil

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(\$000s)	Three months ending		
	September 30, 2020	September 30, 2019	Change from
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	2,378	7,030	(4,652)
Cost of sales	2,093	4,681	(2,588)
Gross margin	285	2,349	(2,064)
	12%	33%	
Operating expenses:			
Research and development	185	395	(210)
Finance and administration	223	382	(159)
Sales and marketing	112	175	(63)
Interest expense	37	81	(44)
Loss on foreign exchange	(7)	(104)	97
	550	929	(379)
Net (loss) earnings and comprehensive (loss) earnings before non-recurring items	(265)	1,420	(1,685)
(\$000s)	Six months ending		
	September 30, 2020	September 30, 2019	Change from
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	5,049	11,174	(6,125)
Cost of sales	3,729	7,901	(4,172)
Gross margin	1,320	3,273	(1,953)
	26%	29%	
Operating expenses:			
Research and development	453	765	(312)
Finance and administration	502	796	(294)
Sales and marketing	175	330	(155)
Interest expense	82	149	(67)
Loss on foreign exchange	23	49	(26)
	1,235	2,089	(854)
Net earnings (loss) and comprehensive earnings (loss) before non-recurring items	85	1,184	(1,099)

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.

Revenue by division

	Three months ending		Six months ending	
	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
	\$			
Electronics	1,334,105	2,789,938	2,956,412	4,103,741
Specialty Structures	1,043,476	4,240,192	2,092,943	7,070,294
	2,377,581	7,030,130	5,049,355	11,174,035

Revenue by geographical location

	Three months ending		Six months ending	
	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
	\$		\$	
Canada	1,054,926	1,858,384	1,963,105	3,580,028
United States	1,282,526	2,036,689	3,052,275	3,415,092
Chile	40,129	119,661	33,975	146,470
Peru	-	2,936,328	-	3,790,635
Other	-	79,068	-	241,810
	2,377,581	7,030,130	5,049,355	11,174,035

Net earnings (loss) before taxes by division

	Three months ending		Six months ending	
	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
	\$		\$	
Electronics	(70,025)	410,686	332,650	216,425
Specialty Structures	(194,747)	1,009,217	(247,367)	967,458
	(264,772)	1,419,903	85,283	1,183,883

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

	Three months ending		Six months ending	
	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Number of customers	2	2	2	2
% of total revenue	12%, 20%	10%, 42%	11%, 20%	10%, 34%

Assets by division

	September 30, 2020 (unaudited)	September 30, 2019 (unaudited)
Electronics	7,308,646	5,291,209
Specialty Structures	3,997,983	5,872,258

Revenues

Total product revenue from ongoing operations for the three and six months ending September 30, 2020 was \$2,377,581 and \$5,049,355 compared to \$7,030,130 and \$11,174,035 for the same period in fiscal 2020. The significant decline in revenue in fiscal 2021 as compared to similar periods in fiscal 2020, is primarily due to the significant decline in Plaintiff's markets due to the effects of the COVID-19 pandemic on Plaintiff's customers.

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

Plaintree's Electronics Division revenues from operations decreased during the first six months of fiscal 2021 to \$2,956,412 compared to \$4,103,741 in the same period in fiscal 2020.

Plaintree's Electronics division has two main operations. One principally supplies the commercial aerospace industry and the other principally supplies the military aerospace industry. In February

of 2020, the forecast for both of these divisions indicated similar revenues as in the previous fiscal 2019. In March 2020, the COVID-19 pandemic hit, grinding the commercial aerospace market to a near halt and by May 2020 the Company's commercial aerospace business and forecast had fallen dramatically. This sector's decline accounts for 100% of this divisional decline.

Plaintree's Specialty Structures Division revenues from operations decreased to \$2,0920,943 in the first six months of fiscal 2021 to \$7,070,294 from the same period in fiscal 2019.

This Division has three main product lines, mining domes, foundations for unstable soils and hydraulic cylinders. The uncertainty about the pandemic's effects on actual mines forced many orders to be postponed but not cancelled. The COVID-19 pandemic also caused many of our expected foundation orders to be postponed as our customers concentrated on more critical issues. These postponements accounted for the vast majority of this division's revenue decline.

The remaining decline was due to the hydraulic cylinder market essentially shutting down.

Gross Margin

Total gross margin remained relatively consistent during the first six months ending September 30, 2020 of fiscal 2021, primarily attributed to government wage subsidies, at 27% compared to 29% for the same period of fiscal 2020. The Company recorded in cost of goods sold, \$487,296 in government sponsored wage subsidies related to Covid-19 during the period.

Operating Expenses

Research and development expenses

Research and development expenses were \$452,896 and \$764,291 for the first six months of fiscals 2021 and 2020, respectively. Research and development expenditures consist primarily of development engineering and personnel expenses. The Company reduced expenses by \$243,794 due to government sponsored wage subsidies related to COVID-19 during the period.

Finance and administration expenses

Finance and administration expenses were \$501,632 and \$796,219 for the first six months of fiscals 2021 and 2020, respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities. Expenses increased in fiscal 2020 in part due to increased legal and consulting fees associated with the Company's activities associated with the held for sale assets. The Company reduced expenses by \$114,563 in government sponsored wage subsidies related to COVID-19 during the period.

Sales and marketing expenses

Sales and marketing expenses were \$175,465 and \$330,249 for the first six months of fiscals 2021 and 2020, 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. The Company reduced expenses by \$74,969 in government sponsored wage subsidies related to COVID-19 during the period.

Interest expense

Interest expense consists of interest incurred on bank and related party debt. Interest expenses amounted to \$81,490 and \$149,091 in the first six months of fiscals 2021 and 2020, respectively.

The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

Loss on foreign exchange

The Company reported loss on foreign exchange of \$22,973 and \$49,280 for first six months of fiscals 2021 and 2020, respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized, of transactions and year end foreign balances that are completed in currencies other than the Company's reporting currency.

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

Net (loss) earnings and comprehensive earnings for the first six months of fiscal 2021 ending September 30, 2020 was \$(647,717) and \$450,883, for the same period ending September 30, 2019 in fiscal 2020. 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 September 30, 2020 the accrued and unpaid dividends on the Class A preferred shares were \$17,525,000 (March 30, 2020 - \$16,792,000).

Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2021, 2020 and 2019:

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

	Sep-30 2020 Q2 2021	Jun-30 2020 Q1 2021	Mar-31 2020 Q4 2020	Dec-31 2019 Q3 2020	Sep-30 2019 Q2 2020	Jun-30 2019 Q1 2020	Mar-31 2019 Q4 2019	Dec-31 2018 Q3 2019
Revenue	\$ 2,378	\$ 2,672	\$ 3,024	\$ 3,158	\$ 7,030	\$ 4,144	\$ 4,347	\$ 5,121
Net (loss) earnings and total comprehensive (loss) earnings	(265)	350	(2901)	(783)	1420	(236)	2,113	339
Net (loss) earnings attributed to common shareholders	(631)	(16)	(3,268)	(1,150)	1,054	(603)	1,747	(28)
Basic and diluted (loss) earnings per share	(0.05)	(0.00)	(0.25)	(0.09)	0.08	(0.05)	0.13	(0.00)

Liquidity and Capital Resources

	September 30, 2020	September 30, 2019	Change
	(audited)	(audited)	
	\$	\$	\$
Cash	1,179	(50)	1,229
Working Capital	4,795	7,742	(2,947)

	September 30, 2020	September 30, 2019	Change
	(audited)	(audited)	
	\$	\$	\$
Net cash (used in) provided by:			
Operating activities	82	1,328	(1,246)
Investing activities	(219)	(204)	(15)
Financing activities	(187)	(364)	177

Cash

As at September 30, 2020, the Company had a cash balance of \$1,178,999, an increase of \$324,881 from cash balance of \$1,503,880 in March 31, 2020.

Working Capital

Working capital represents current assets less current liabilities. As at September 30, 2020, the Company had working capital of \$4,795,196 compared to a working capital of \$4,399,295 at March 31, 2020.

Operating activities

Cash provided by operating activities for six months ending September 30, 2020 in fiscal 2021 was \$212,545 representing a decrease of \$(1,115,314) from cash provided of \$1,327,859 for the respective period during fiscal 2020. Cash provided by operating activities during the first six month of fiscal 2021 was primarily the result of government wage subsidies.

Investing activities

Cash (used in) investing activities for the six months ending September 30, 2020 in fiscal 2021 was \$(21,668) representing an decrease of \$181,957 from cash used in investing activities of \$(203,625) in the respective period during fiscal 2020. The use of cash from investing activities during the first six months of 2021 was primarily to acquire factory equipment and software.

Financing activities

Cash used in financing activities for the first six months ending September 30, 2020 was \$(515,758) representing an increase of \$(152,104) from cash used of \$(363,654) during the respective period in fiscal 2020. Cash used in financing activities during the first six months of fiscal 2021 relates to repayment of long term debt.

Outlook

The Company has in place a credit facility of up to \$3,000,000 CAD through its bank based on acceptable trade receivables and inventory. The total amount available to the Company as at September 30, 2020 was \$2,495,461 CAD of which \$NIL was in use and a letter of credit in the amount of US\$100,000 (\$133,390 CAD) leaving \$2,362,071 CAD available. The Company through its bank has in place a credit facility of up to \$3,500,000 CAD for the issuance of standby letters of credit and/or letters of guarantee insured by Export Development Corporation ("EDC") Performance Security Guarantee of which \$1,269,909 CAD was in use at September 30, 2020. The Company has in place a credit facility of up to \$2,000,000 CAD to assist with financing of new and used equipment. As at September 30, 2020 \$1,505,463 CAD was in use (Note 8 Lease obligations). As a result, the Company believes that it has sufficient cash resources to meet its obligations, beyond the next 12 months.

In times of uncertainty, gold prices traditionally increase, and this has in turn increased the Company's mining Requests for Quotation. Additionally, after a very quiet market for foundations for Q1 and Q2 2021, the Company has seen increased quotations and orders. Thus, the Company expects the Structures division to recover closer to Pre-Covid-19 levels within the next two quarters. HOWEVER., THESE EXPECTATIONS ARE BASED UPON A MANAGEBLE SECOND OR POSSIBLY EVEN THIRD COVID WAVE. SHOULD THE WORLD ECONOMY GO INTO ANOTHER SHUTDOWN THESE EXPECTATIONS WILL CHANGE.

Due to related parties

	September 30, 2020	March 31, 2020
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,957,870	3,983,832
Dividends payable	60,000	60,000
Due to Targa Group Inc, covertable debentures	247,672	247,672
Due to Tidal Quality Management Inc.	479,161	491,264
Due to Targa Group Inc, line of credit interest	242,598	242,598
Due to Targa Group Inc, demand loan interest	201,393	201,393
	5,188,694	5,226,759
Less: current portion	(50,000)	(50,000)
	5,138,694	5,176,759

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

As at September 30, 2020, a balance of \$3,957,870 (\$2,722,236 principal and \$1,235,634 interest); March 31, 2020 - \$3,983,832 (\$2,748,198 principal and \$1,235,634 interest) remained owing to senior officers of the Company. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During the first six months of fiscal 2021 payments in the amount of \$25,962 were repaid to senior officers. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

On July 14, 2011, the board of directors of the Company declared a cash dividend of \$10.91405 per Class A preferred share (\$200,000 in the aggregate) payable on July 22, 2011, to the holders of record at the close of business on July 18, 2011. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the \$1,000 redemption amount of the Class A preferred share. An amount of \$60,000 (\$60,000 - March 31, 2020) of the

dividend remains outstanding as at September 30, 2020. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at September 30, 2020, interest in the amount of \$247,672 (\$247,672 – March 31, 2020) on a loan from Targa remains outstanding. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at September 30, 2020, a balance of \$479,161 (\$296,273 rent arrears and \$182,888 interest); March 31, 2020 - \$491,264 (\$308,376 rent arrears and \$182,889 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corporation. The party agreed to discontinue interest accruing on unpaid balances as at April 1, 2016. Until then the interest rate was at bank prime plus 2%. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

The Company has a revolving line of credit of up to \$1,000,000 with Targa. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Line is secured by a security interest granted over the assets of the Company. As at September 30, 2020, accumulated interest only of \$242,598 (\$242,598 – March 31, 2020) remained outstanding.

Interest in the amount of \$66,581 (\$66,581 – March 31, 2020) remained outstanding on a demand loan with Targa. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments. Accumulated interest in the amount of \$134,812 (\$134,812 – March 31, 2020), on a loan from Targa remains outstanding as of September 30, 2020. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents paid to Tidal Quality Management Corporation during the year ended September 30, 2020 totaled \$222,680 (\$151,921 – March 31, 2020). The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

Facilities

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

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

Summary of Outstanding Share Data

As at November 24, 2020 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 September 30, 2020 of \$247,672 in accrued interest only. Interest is convertible in cash only.

Options:*** 880,000

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