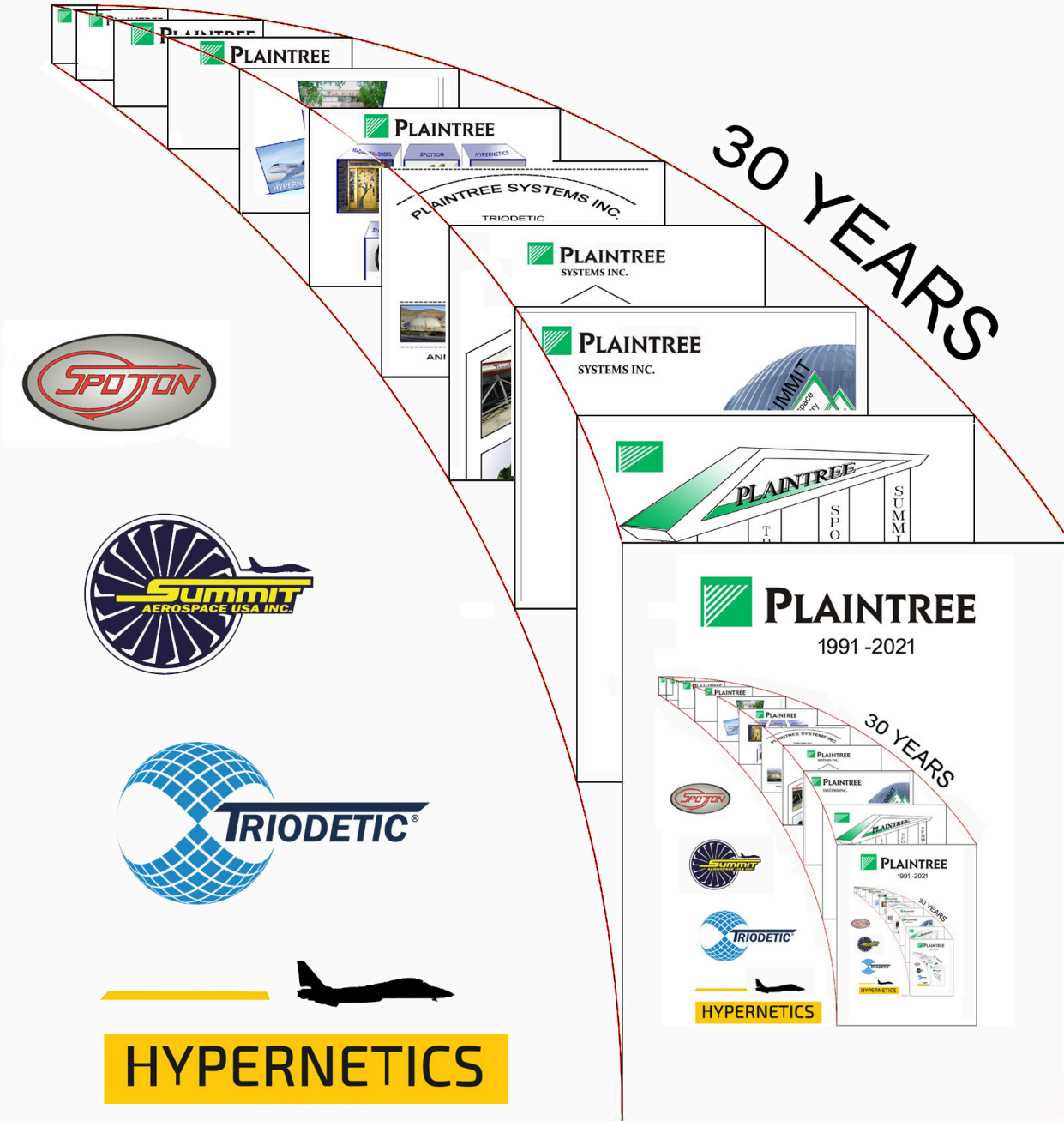




PLAINTREE

1991 -2021



Q1 - 2022

For the three months ending June 30, 2021

“Notice to Reader”

The accompanying unaudited interim financial statements of Plaintiff Systems Inc. for the three months ended June 30, 2021 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 23, 2021

“David Watson”

David Watson
CEO

Plaintree Systems Inc.

Consolidated statements of financial position
(unaudited)
(in Canadian dollars)

	June 30, 2021 (unaudited)	March 31, 2021 (audited)
	\$	\$
Assets		
Current assets		
Cash	2,457,780	2,066,688
Trade receivables and other receivables	2,051,859	2,223,055
Unbilled revenue	1,157,626	1,751,652
Inventories (Note 4)	1,658,243	1,676,853
Prepaid expenses and other receivables	763,911	292,465
Current portion of mortgage receivable (Note 5)	5,250	5,250
	8,094,669	8,015,963
Long-term portion of mortgage receivable (Note 5)	288,526	289,809
Property, plant and equipment (Note 9)	3,333,373	3,456,267
Intangible assets (Note 10)	249,136	285,583
	11,965,704	12,047,622
Liabilities		
Current liabilities		
Trade and other payables	1,396,330	1,683,580
Deferred revenue	455,334	250,406
Current portion of long-term debt and lease obligation (Note 6, 7)	1,054,756	1,142,328
Current portion of due to related parties (Note 11)	50,000	50,000
Current portion of government assistance (Note 8)	72,808	75,186
	3,029,228	3,201,500
Long-term debt and lease obligation (Note 6, 7)	1,018,478	1,140,983
Deferred government assistance (Note 8)	513,604	533,875
Due to related parties (Note 11)	5,004,279	5,033,293
Deferred tax liabilities	168,971	168,971
	9,734,560	10,078,622
Shareholders' equity (deficiency)		
Issued capital	2	2
Contributed surplus	2,159,842	2,159,842
Retained earnings	71,301	(190,844)
	2,231,144	1,969,000
	11,965,704	12,047,622

Approved by the Board
"David Watson"

"Girvan Patterson"

Plaintree Systems Inc.

Consolidated statements of comprehensive earnings (loss)
for the three months ending June 30, 2021 and June 30, 2020
(unaudited)
(in Canadian dollars)

	for the three months ended	
	June 30, 2021	June 30, 2020
	\$	\$
Revenue	3,643,370	2,671,774
Cost of sales	2,581,132	1,637,249
Gross margin	1,062,238	1,034,525
Operating expenses		
Research and development	343,576	268,300
Finance and administration	301,654	278,550
Sales and marketing	118,208	62,954
Interest expense	46,207	44,676
(Gain) loss on foreign exchange	(9,552)	29,990
	800,093	684,470
Net earnings before income taxes	262,145	350,055
Net earnings and comprehensive earnings	262,145	350,055
Basic and diluted (loss) per common share (Note 13)	(0.01)	(0.00)
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 ending June 30, 2021 and June 30, 2020
(unaudited)
(in Canadian dollars)

	for the three months ended	
	June 30, 2021	June 30, 2020
	\$	\$
Operating activities		
Comprehensive earnings	262,145	350,055
Add (deduct) items not affecting cash:		
Depreciation of intangible assets	36,446	36,165
Depreciation of property, plant and equipment	194,634	232,031
Changes in non-cash operating working capital items		
Deferred revenue	204,928	8,302
Inventories	18,610	(248,599)
Prepaid expenses and other receivables	(471,446)	(1,023)
Trade and other payables	(287,250)	181,787
Trade and other receivables	171,196	49,121
Unbilled revenue	594,026	72,169
Mortgage receivable	1,283	1,207
Cash provided by operations	724,572	681,215
Investing activities		
Payments to acquire intangible assets	-	(18,546)
Payments to acquire property, plant and equipment	(71,740)	(182,905)
Cash (used) in investing activities	(71,740)	(201,452)
Financing activities		
Repayment of government assistance	(22,649)	(42,490)
Repayment of long-term debt	(80,097)	(64,215)
Repayment of capital lease obligations	(129,981)	(156,867)
Repayment of related party borrowings (Note 11)	(29,014)	(19,373)
Cash (used) in financing activities	(261,741)	(282,945)
Net cash inflow	391,091	196,818
Net cash (beginning of the year)	2,066,688	1,503,880
Net cash, end of the year	2,457,779	1,700,698

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, 2021 and June 30, 2020
(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, 2021	12,925,253	1	18,325	1	2,159,842	(190,844)	1,969,000
Net earnings and comprehensive earnings						262,145	262,145
Balances at June 30, 2021	12,925,253	1	18,325	1	2,159,842	71,301	2,231,144

	Common Shares Number	Issued Capital \$	Preferred Shares (1) Number	Issued Capital \$	Contributed Surplus \$	Retained earnings (deficit) \$	Shareholders' Equity \$
Balances at March 31, 2020	12,925,253	1	18,325	1	2,159,842	71,301	2,231,145
Net earnings and comprehensive earnings						350,055	350,055
Balances at June 30, 2020	12,925,253	1	18,325	1	2,159,842	421,356	2,581,200

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

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (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". 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"), and a Specialty Structures division consisting of the Triodetic business and Spotton Corporation. The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum, and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames, and industrial dome coverings. Summit Aerospace specializes in the high-end machining of super-alloys for the aircraft and helicopter markets. Spotton's business involves the design and manufacture of high-end custom hydraulic and pneumatic cylinders for the industrial, automation and oil and gas markets.

The 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 23, 2021. 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, 2021.

(b) Basis of measurement

These consolidated 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 consolidated financial statements include the accounts of Plaintree Systems Inc. and its wholly-owned subsidiaries: Summit Aerospace USA Inc. and Triodetic Inc. (U.S. companies), and Triodetic Ltd and Spotton Corporation (Canadian companies). 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 condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

3. Significant accounting policies

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, 2021.

4. Inventories

	June 30, 2021	March 31, 2020
	(unaudited)	(audited)
	\$	\$
Raw materials	1,032,386	1,007,122
Work in process	588,047	634,217
Finished goods	37,810	35,514
	1,658,243	1,676,853

The cost of inventories recognized as an expense during the three months ending June 30, 2021 was \$2,573,619 (\$1,632,495 – June 30, 2020). The total carrying value of inventory as at June 30, 2021, was pledged as security through general security agreements under bank lines of credit and related party liabilities (see note 6 and 7).

The Company wrote down its inventories by \$NIL during the first three months of fiscal 2022 (\$NIL in first three months of fiscal 2021). The Company had write ups totaling \$5,761 in the first quarter of fiscal 2022 (\$10,035 in first quarter of fiscal 2021).

5. Mortgage receivable

During fiscal 2020, the Company sold a building owned by it in Arnprior Ontario for \$1.3 million. The consideration was paid by \$1 million in cash and by a vendor take mortgage of \$300,000 of which \$293,776 remains outstanding as at June 30, 2021. The vendor take back mortgage has a five year term and earns interest at 6.076%. The Issuer has secured the vendor take back mortgage by a charge over the building and other security.

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

6. Long-term debt

	June 30, 2021 (unaudited)	March 31, 2021 (audited)
Non-revolving 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.	\$ 249,109	\$ 270,191
Non-revolving loan payable (\$281,906 USD) in monthly blended installments of principal and interest, \$7,559 USD, at a rate of LIBOR plus 3.25%, secured by general security agreement, maturing March 2022.	349,394	379,932
Non-revolving loan payable in monthly blended installments of principal and interest, \$15,148.09, at a rate of 3.640%, secured by general security agreement, maturing March 2026.	791,819	829,827
Deferred financing fees	(79,728)	(72,595)
	1,310,594	1,407,355
Current portion	(754,036)	(804,249)
	556,558	603,106

7. Lease Obligation

The Company's leases are for factory equipment which are typically 5 to 7 years in length. Leases for factory equipment are subject to a range of interest rates from 4 to 8 percent per annum. The following table presents the Company's lease obligations as at June 30, 2021:

	Factory equipment leases
	\$
Fiscal 2022 remaining	256,497
Fiscal 2023	287,973
Fiscal 2024	201,507
Fiscal 2025	79,826
Total future minimum lease payments	825,803
Inputed interest	(63,163)
Total lease liabilities	762,640
Less: current portion	(300,720)
Non-current portion	461,920

On July 1, 2021, the Company signed a lease agreement with a related party, Tidal Quality Management Corporation. The lease term is five years with \$609,750 payable annually.

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

8. Government assistance

The Company's Summit Aerospace USA Inc. division accepted a loan of \$720,000 USD (\$892,368 CAD) from the Pennsylvania Industrial Development Authority (PIDA) as partial financing towards the manufacturing facility in Pocono Summit, PA purchased in May 2013. The loan carries a 15-year term, maturing in May 2029, with level monthly payments of principal and interest 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 (unaudited)	Deferred Government Assistance (unaudited)	Repayable government assistance (unaudited)
	\$	\$	\$
Opening Balance	470,495	58,566	529,061
Loan adjustment for exchange	(6,773)	163	(6,610)
Repayments	(15,033)		(15,033)
Accretion	3,087	(4,094)	(1,007)
June 30, 2021	451,777	54,635	506,412
Current Portion	(60,701)	(12,107)	(72,808)
Balance	391,076	42,528	433,604

The Company recorded Canadian Emergency Wage Subsidy ("CEWS") and Canadian Emergency Rent Subsidy ("CERS") and US Protection Program ("PPP") related to COVID-19. Government subsidies during the first three months of fiscal 2021 and fiscal 2020 amounted to \$54,503 and \$401,050 for the Electronics Division and \$116,293 and \$178,826 in the Specialty Structures Division for a total of \$170,796 \$579,876 respectively. The total government assistance was recorded in the June 30, 2021 consolidated statement of comprehensive earnings as a reduction of the following accounts:

	Three months ending	
	June 30, 2021	June 30, 2020
	\$	\$
Cost of sales	102,039	466,747
Research and development	45,330	48,011
Finance and administration	7,102	32,380
Sales and marketing	16,326	32,737
	<u>170,797</u>	<u>579,875</u>

The Company has recorded short term, interest free loans in the amount of \$80,000 under the Canada Emergency Business Account ("CEBA").

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

9. Property, plant and equipment

	Factory equipment	Computer equipment	Furniture	Vehicles	Lease improvements	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost, balance								
March 31, 2020	9,548,566	1,093,154	202,313	378,967	1,618,008	1,007,783	124,557.00	13,973,350
Additions	420,922	6,853	—	—	—	—	—	427,775
Disposals	(68,058)	(1,776)	—	(12,049)	—	—	—	(81,883)
March 31, 2021	9,901,430	1,098,231	202,313	366,918	1,618,008	1,007,783	124,557.00	14,319,242
Additions	25,893	—	—	—	45,847	—	—	71,740
June 30, 2021	9,927,323	1,098,231	202,313	366,918	1,663,855	1,007,783	124,557.00	28,710,224
Depreciation, balance								
March 31, 2020	(6,805,059)	(1,066,943)	(201,279)	(359,664)	(1,213,348)	(431,612)	-	(10,077,906)
Depreciation	(626,586)	(11,720)	(1,034)	(7,842)	(148,502)	(61,555)	-	(857,239)
Disposal	58,345	1,776	—	12,049	—	—	—	72,170
March 31, 2021	(7,373,300)	(1,076,887)	(202,313)	(355,457)	(1,361,850)	(493,167)	-	(10,862,975)
Depreciation	(149,551)	(3,115)	—	(1,932)	(24,870)	(15,167)	—	(194,634)
June 30, 2021	(7,522,851)	(1,080,002)	(202,313)	(357,389)	(1,386,720)	(508,334)	-	(11,057,609)
Carrying amount,								
June 30, 2021	2,404,472	18,229	—	9,530	277,135	499,449	124,557.00	3,333,373
March 31, 2021	2,528,130	21,343	—	11,463	256,158	514,616	124,557.00	3,456,267

Included in factory equipment are right of use assets with a cost of \$2,059,616 and accumulated amortization of \$585,295. Refer to Note 7 for a breakdown of the Company's lease obligations.

10. Intangibles

	Software	Customer Relationship and Non-competes	Total
	\$	\$	\$
Cost, balance			
March 31, 2020	336,406	1,313,270	1,649,676
Additions	22,372	-	22,372
March 31, 2021	358,778	1,313,270	1,672,048
Additions	-	-	-
June 30, 2021	358,778	1,313,270	1,672,048
Accumulated Depreciation, balance			
March 31, 2020	(189,392)	(1,052,616)	(1,242,008)
Depreciation	(14,131)	(130,327)	(144,458)
March 31, 2021	(203,522)	(1,182,943)	(1,386,465)
Depreciation	(3,866)	(32,582)	(36,448)
June 30, 2021	(207,388)	(1,215,525)	(1,422,913)
Carrying amount,			
June 30, 2021	151,390	97,746	249,136
March 31, 2021	155,256	130,327	285,583

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

11. Due to related parties

	June 30, 2021	March 31, 2021
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,905,760	3,932,870
Dividends payable	60,000	60,000
Due to Targa Group Inc, convertible debentures	247,672	247,672
Due to Tidal Quality Management Inc.	396,857	398,760
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
	5,054,279	5,083,293
Less: current portion	(50,000)	(50,000)
	5,004,279	5,033,293

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

As at June 30, 2021, a balance of \$3,905,760 (\$2,670,126 principal and \$1,235,634 interest); March 31, 2021 - \$3,970,563 (\$2,734,929 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 three months of fiscal 2022 payments in the amount of \$27,110 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, 2021) of the dividend remains outstanding as at June 30, 2021. 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 June 30, 2021, interest in the amount of \$247,672 (\$247,672 - March 31, 2021) 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 June 30, 2021, a balance of \$396,857 (\$213,969 rent arrears and \$182,888 interest); March 31, 2020 - \$398,760 (\$215,871 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 June 30, 2021, accumulated interest only of \$242,598 (\$242,598 - March 31, 2021) remained outstanding.

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

Interest in the amount of \$66,581 (\$66,581 – March 31, 2021) 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, 2021), on a loan from Targa remains outstanding as of June 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 three months ended June 30, 2021, totaled \$84,690 (\$280,189 – March 31, 2021). The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

12. Share capital

Authorized, unlimited number

Common shares

Class A preferred shares

Class A 8% cumulative dividends, calculated on redemption amount, redeemable at the option of the Company at any time at \$1000 per share plus accrued dividends; liquidation preference of the redemption value plus cumulative dividends (when and if declared) to common shares; non-voting. As of June 30, 2020, the accrued and unpaid dividends on Class A preferred shares were \$18,624,500 (\$18,258,000 – March 31, 2020).

Stock options

Under the Company's Stock Option Plan, the Company is authorized to issue up to 12,000,000 stock options to its employees, officers, directors or consultants.

Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant and the maximum term of an option is ten years. Options are granted periodically and vest immediately on the date of grant.

As at June 30, 2021 there were 880,000 options outstanding and exercisable at an exercise price of \$0.11.

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

13. Basic and diluted (loss) per common share

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

For the first three months ended June 30, 2021 and 2020, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options and convertible instruments.

	June 30, 2021 (unaudited) \$	June 30, 2020 (unaudited) \$
Net profit from operations	262,145	350,055
Cumulative dividends on preferred shares - per annum	(366,500)	(366,500)
Net (loss) attributed to common shares (basis and diluted)	(104,355)	(16,445)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from operations	(0.01)	(0.00)

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the quarters ended June 30, 2021 and June 30, 2020 (unaudited)

(In Canadian dollars)

15. 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

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
	\$	
Electronics	1,339,320	1,622,307
Specialty Structures	2,304,050	1,049,467
	3,643,370	2,671,774

Revenue by geographical location

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
	\$	
Canada	1,825,656	908,179
United States	1,742,315	1,769,749
Chile	75,399	(6,154)
	3,643,370	2,671,774

Net earnings (loss) before taxes by division

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
	\$	
Electronics	(83,650)	402,675
Specialty Structures	345,795	(52,620)
	262,145	350,055

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

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
Number of customers	2	2
% of total revenue	14%, 18%	13%, 19%

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

PLAINTREE SYSTEMS INC.

For the three months ended June 30, 2021 and June 30, 2020

Date: August 23, 2021

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, 2021 and 2020. 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 23, 2021, 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

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

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

The 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:

(\$000s, except per share amounts)

	June 30, 2021	March 31, 2021
	(unaudited)	(audited)
	\$	\$
Total assets	11,966	12,048
Total liabilities	9,735	10,079
Long-term liabilities	6,705	6,877
Cash dividends declared per share	nil	nil

(\$000s, except per share amounts)

	June 30, 2021	June 30, 2020
	(unaudited)	(unaudited)
	\$	\$
Revenue	3,643	2,672
Net earnings (loss) and comprehensive earnings (loss)	262	350
Net (loss) earnings attributed to common shareholders	(104)	(16)
Basic and diluted (loss) earnings per share	(0.01)	(0.00)

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

Results from Operations

(\$000s)

	June 30, 2021	June 30, 2020	Change from
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	3,643	2,672	971
Cost of sales	2,581	1,637	944
Gross margin	1,062	1,035	27
	29%	39%	
Operating expenses:			
Research and development	344	268	76
Finance and administration	302	279	23
Sales and marketing	118	63	55
Interest expense	46	45	1
(Gain) loss on foreign exchange	(10)	30	(40)
	800	685	115
Net earnings and comprehensive earnings before non-recurring items	262	350	(88)

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

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
	\$	
Electronics	1,339,320	1,622,307
Specialty Structures	2,304,050	1,049,467
	3,643,370	2,671,774

Revenue by geographical location

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
	\$	
Canada	1,825,656	908,179
United States	1,742,315	1,769,749
Chile	75,399	(6,154)
	3,643,370	2,671,774

Net earnings (loss) before taxes by division

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
	\$	
Electronics	(83,650)	402,675
Specialty Structures	345,795	(52,620)
	262,145	350,055

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

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)
Number of customers	2	2
% of total revenue	14%, 18%	13%, 19%

Revenues

Total product revenue from ongoing operations for the first three months of fiscal 2022 was \$3,643,370 compared to 2,671,774 in the same period of fiscal 2021.

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

Plaintree's Electronics Division revenues from operations decreased in the first quarter of fiscal 2022 to \$1,339,320 compared to \$1,622,307 in the same period in fiscal 2021.

Plaintree's Specialty Structures Division revenues from operations increased to \$2,304,050 in the first three months of fiscal 2022 from \$1,049,467 from the same period in fiscal 2021.

Gross Margin

Total gross margin decreased during the first three months of fiscal 2022, 29% compared to 39% for same period in fiscal 2021. The Company recorded in cost of goods sold, \$102,039 and \$466,747 for each period in Government sponsored wage and rent subsidies related to Covid-19 during the period.

Operating Expenses

Research and development expenses

Research and development expenses were \$343,576 and \$268,300 for the first three months of fiscals 2022 and 2021, respectively. Included are Government wage and rent subsidies of \$45,330, and \$48,011 in each period related to COVID-19. Research and development expenditures consist primarily of development engineering and personnel expenses.

Finance and administration expenses

Finance and administration expenses were \$301,654 and \$278,550 for the first three months of fiscals 2022 and 2021, respectively. Included are Government wage and rent subsidies of \$7,102 and \$32,380 in each period related to COVID-19. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities.

Sales and marketing expenses

Sales and marketing expenses were \$118,208 and \$62,954 for the first three months of fiscals 2022 and 2021, respectively. Included are Government wage and rent subsidies of \$16,326 and \$32,737 in each period related to COVID-19. 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.

Interest expense

Interest expense consists of interest incurred on bank debt. Interest expenses amounted to \$46,207 and \$44,676 for the first three months of fiscals 2022 and 2021, 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 a gain on foreign exchange of \$(9,552) and a loss of \$29,990 in the first three months of fiscals 2022 and 2021, 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 (losses) and Net (losses) Attributable to Common Shareholders

Net earnings and comprehensive earnings for the first quarter of fiscal 2022 and fiscal 2021 was \$(104,355) and \$(16,445), 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 March 31, 2021 the accrued and unpaid dividends on the Class A preferred shares were \$18,624,500 (March 31, 2021 - \$18,258,000).

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 2022 and 2021 and 2020:

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

	June 30 2021 Q1 2022	Mar 31 2021 Q4 2021	Dec 31 2020 Q3 2021	Sept 30 2020 Q2 2021	June 30 2020 Q1 2021	Mar 31 2020 Q4 2020	Dec 31 2019 Q3 2020	Sept 30 2019 Q2 2020
Revenue	\$ 3,643	\$ 4,656	\$ 2,954	\$ 2,378	\$ 2,672	\$ 7,168	\$ 3,158	\$ 7,030
Net (loss) earnings and total comprehensive (loss) earnings	262	809	0	(265)	350	(2901)	(783)	1420
Net (loss) earnings attributed to common shareholders	(104)	442	(367)	(631)	(16)	(3,268)	(1,150)	1,054
Basic and diluted (loss) earnings per share	(0.01)	0.03	(0.03)	(0.05)	(0.00)	(0.25)	(0.09)	0.08

Liquidity and Capital Resources

in \$000s

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)	Change
Cash	\$ 2,458	\$ 1,701	757
Working Capital	5,065	4,399	666

	June 30, 2021 (unaudited)	June 30, 2020 (unaudited)	Change
Net cash (used in) provided by:	\$	\$	\$
Operating activities	725	680	45
Investing activities	(72)	(200)	128
Financing activities	(262)	(283)	21

Cash

As at June 30, 2021, the Company had a cash balance of \$2,457,780, an increase of \$391,092 from cash balance of \$2,066,688 in March 31, 2020.

Working Capital

Working capital represents current assets less current liabilities. As at June 30, 2021, the Company had working capital of \$5,065,441 compared to a working capital of \$4,814,463 at March 31, 2021.

Operating activities

Cash provided by operating activities during the first three months of fiscal 2022 was \$724,572 representing a increase of \$(43,357) from cash provided of \$681,215 for the respective period during fiscal 2021. Cash provided by operating activities during the period was primarily the result of profitability.

Investing activities

Cash (used in) investing activities during the first three months of fiscal 2022 was \$(71,740) representing a decrease of \$(129,712) in investing activities from cash provided of \$(201,452) in the respective period during fiscal 2021. The use of cash from investing activities during the period was primarily to acquire manufacturing equipment.

Financing activities

Cash (used in) financing activities during the first three months of fiscal 2022 was \$(261,741) representing a decrease of \$(21,204) from cash used of \$(282,945) during the respective period in fiscal 2021. Cash used in financing activities during fiscal the period 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 March 31, 2021 was \$2,297,706 CAD of which \$NIL was in use and a letter of credit in the amount of US\$100,000 (\$123,940 CAD) leaving \$2,173,766 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 \$960,461 was in use at June 30, 2021. 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 June 30, 2021 \$694,522 CAD was available (Note 7 Lease obligations). 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, 2021	March 31, 2021
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,905,760	3,932,870
Dividends payable	60,000	60,000
Due to Targa Group Inc, convertible debentures	247,672	247,672
Due to Tidal Quality Management Inc.	396,857	398,760
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
	5,054,279	5,083,293
Less: current portion	(50,000)	(50,000)
	5,004,279	5,033,293

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

As at June 30, 2021, a balance of \$3,905,760 (\$2,670,126 principal and \$1,235,634 interest); March 31, 2021 - \$3,970,563 (\$2,734,929 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 three months of fiscal 2022 payments in the amount of \$27,110 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, 2021) of the dividend remains outstanding as at June 30, 2021. 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 June 30, 2021, interest in the amount of \$247,672 (\$247,672 - March 31, 2021) 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 June 30, 2021, a balance of \$396,857 (\$213,969 rent arrears and \$182,888 interest); March 31, 2020 - \$398,760 (\$215,871 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 June 30, 2021, accumulated interest only of \$242,598 (\$242,598 - March 31, 2021) remained outstanding.

Interest in the amount of \$66,581 (\$66,581 – March 31, 2021) 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, 2021), on a loan from Targa remains outstanding as of June 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 three months ended June 30, 2021, totaled \$84,690 (\$280,189 – March 31, 2021). 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.

On July 1, 2021, the Company signed a lease agreement with a related party, Tidal Quality Management Corporation. The lease term is five years with \$609,750 payable annually.

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 August 23, 2021 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, 2021 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.