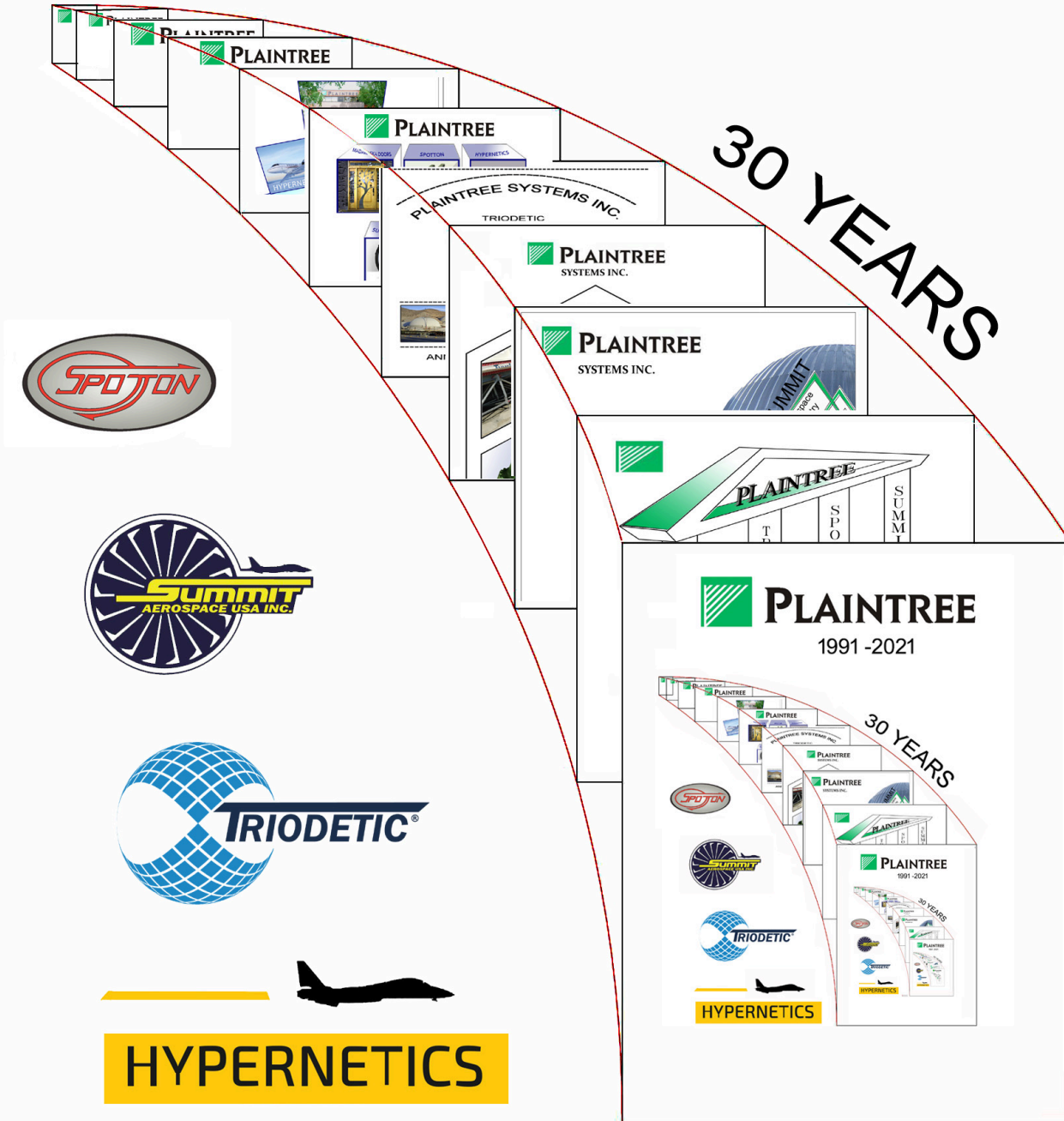




PLAINTREE

1991 -2021



Q3 - 2022

For the nine months ending December 31, 2021

“Notice to Reader”

The accompanying unaudited interim financial statements of Plaintiff Systems Inc. for the three and nine months ended December 31, 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: February 23, 2022

“David Watson”

David Watson
CEO

Plaintree Systems Inc.

Consolidated statements of financial position

(unaudited)

(in Canadian dollars)

	December 31, 2021 (unaudited)	March 31, 2021 (audited)
	\$	\$
Assets		
Current assets		
Cash	914,845	2,066,688
Trade receivables and other receivables	2,228,613	2,223,055
Unbilled revenue	1,489,600	1,751,652
Inventories (Note 4)	2,395,891	1,676,853
Prepaid expenses and other receivables	244,368	292,465
Current portion of mortgage receivable (Note 5)	5,250	5,250
	7,278,567	8,015,963
Long-term portion of mortgage receivable (Note 5)	285,902	289,809
Property, plant and equipment (Note 9)	3,095,628	3,456,267
Right of use asset, building (Note 7, 9)	2,571,550	-
Intangible assets (Note 10)	125,429	285,583
	13,357,076	12,047,622
Liabilities		
Current liabilities		
Trade and other payables	1,102,278	1,683,580
Deferred revenue	63,244	250,406
Current portion of long-term debt and lease obligation (Note 6, 7)	1,460,484	1,142,328
Current portion of due to related parties (Note 11)	50,000	50,000
Current portion of government assistance (Note 8)	74,710	75,186
	2,750,716	3,201,500
Long-term debt and lease obligation (Note 6, 7)	2,833,913	1,140,983
Deferred government assistance (Note 8)	492,376	533,875
Due to related parties (Note 11)	4,977,871	5,033,293
Deferred tax liabilities	168,971	168,971
	11,223,847	10,078,622
Shareholders' equity (deficiency)		
Issued capital	2	2
Contributed surplus	2,159,842	2,159,842
Retained earnings	(26,615)	(190,844)
	2,133,229	1,969,000
	13,357,076	12,047,622

Approved by the Board

"David Watson""Girvan Patterson"

Plaintree Systems Inc.

Consolidated statements of comprehensive earnings (loss)

for the three and nine months ending December 31, 2021 and December 31, 2020

(unaudited)

(in Canadian dollars)

	for the three months ended		for the nine months ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	\$	\$	\$	\$
Revenue	3,110,602	2,954,372	11,025,377	8,003,727
Cost of sales	2,609,267	2,197,585	8,155,274	5,927,201
Gross margin	501,335	756,787	2,870,103	2,076,526
Operating expenses				
Research and development	431,010	257,833	1,179,064	710,729
Finance and administration	403,147	380,008	981,170	881,640
Sales and marketing	174,064	92,078	444,414	267,543
(Gain) on disposal of assets	(6,875)	-	(6,875)	-
Interest expense	65,966	46,438	173,223	127,928
(Gain) loss on foreign exchange	(6,427)	(19,539)	(65,121)	3,434
	1,060,886	756,818	2,705,875	1,991,274
Net (loss) earnings before income taxes	(559,550)	(31)	164,229	85,252
Net (loss) earnings and comprehensive earnings	(559,550)	(31)	164,229	85,252
Basic and diluted (loss) per common share (Note 13)	(0.07)	(0.03)	(0.07)	(0.08)
Weighted average common shares outstanding	12,925,253	12,925,253	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 nine months ended December 31, 2021 and December 31, 2020

	for the nine months ended	
	December 31, 2021	December 31, 2020
	\$	\$
Operating activities		
Comprehensive earnings	164,229	85,252
Add (deduct) items not affecting cash:		
Depreciation of intangible assets	160,154	108,081
Depreciation of property, plant and equipment	890,359	659,413
(Gain) on disposal of assets	(6,875)	-
Write-down of inventory	18,805	-
Changes in non-cash operating working capital items		
Deferred revenue	(187,162)	(58,515)
Inventories	(737,842)	(405,898)
Prepaid expenses and other receivables	48,097	(114,891)
Trade and other payables	(581,304)	92,307
Trade and other receivables	(5,558)	(331,376)
Unbilled revenue	262,052	158,537
Mortgage receivable	3,907	3,678
Cash provided by operations	28,862	196,588
Investing activities		
Payments to acquire intangible assets	-	(22,373)
Payments to acquire property, plant and equipment	(237,117)	(31,020)
Cash (used) in investing activities	(237,117)	(53,393)
Financing activities		
Repayment of government assistance	(41,975)	(114,022)
Repayment of long-term debt	(255,234)	(183,103)
Repayment of capital lease obligations	(590,957)	(435,768)
Repayment of related party borrowings (Note 11)	(55,422)	(74,426)
Cash (used) in financing activities	(943,588)	(807,319)
Net cash inflow	(1,151,843)	(664,124)
Net cash (beginning of the year)	2,066,688	1,503,880
Net cash, end of the period	914,845	839,756

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 December 31, 2021 and December 31, 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						164,229	164,229
Balances at December 31, 2021	12,925,253	1	18,325	1	2,159,842	(26,615)	2,133,229

	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	(26,615)	2,133,229
Net earnings and comprehensive earnings						85,252	85,252
Balances at December 31, 2020	12,925,253	1	18,325	1	2,159,842	58,637	2,218,481

(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.

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended December 31, 2021 and December 31, 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 February 23, 2022. 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 three and nine months ended December 31, 2021 and December 31, 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

	December 31, 2021 (unaudited)	March 31, 2021 (audited)
Raw materials	1,666,682	1,007,122
Work in process	653,473	634,217
Finished goods	75,736	35,514
	2,395,891	1,676,853

The cost of inventories recognized as an expense during the nine months ending December 31, 2021 was \$8,422,501 (\$5,905,997 – December 31, 2020). The total carrying value of inventory as at December 31, 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 \$18,805 during the first nine months of fiscal 2022 (\$NIL in first nine months of fiscal 2021). The Company had write ups totaling \$28,133 in the first nine months of fiscal 2022 (\$35,632 in first nine months 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 \$291,151 remains outstanding as at December 31, 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.

6. Long-term debt

	December 31, 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.	206,256	270,191
Non-revolving loan payable (\$241,119 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.	305,690	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.	714,759	829,827
Deferred financing fees	(74,585)	(72,595)
	1,152,120	1,407,355
Current portion	(659,372)	(804,249)
	492,748	603,106

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended December 31, 2021 and December 31, 2020 (unaudited)

(In Canadian dollars)

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. During the second quarter of Fiscal 2022, the Company entered into a five year office lease agreement with a related party. The office lease has been recorded as a right of use asset and lease liability on the consolidated statement of financial position. The following table presents the Company's lease obligations as at December 31, 2021:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2022 Remaining	117,663	152,437	270,100
Fiscal 2023	269,308	609,750	879,058
Fiscal 2024	187,989	609,750	797,739
Fiscal 2025	81,257	609,750	691,007
Fiscal 2026	-	609,750	609,750
Thereafter	-	152,438	152,438
Total future minimum lease payments	656,217	2,743,875	3,400,092
Inputed interest	(46,414)	(211,401)	(257,815)
Total lease liabilities	609,803	2,532,474	3,142,277
Less: current portion	(272,723)	(528,389)	(801,112)
Non-current portion	337,080	2,004,085	2,341,165

8. Government assistance

The Company's Summit Aerospace USA Inc. division accepted a loan of \$720,000 USD (\$912,816 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	3,854	(5,077)	(1,223)
Repayments	(46,308)		(46,308)
Accretion	9,650	(4,094)	5,556
December 31, 2021	437,691	49,395	487,086
Current Portion	(62,325)	(12,385)	(74,710)
Balance	375,366	37,010	412,376

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended December 31, 2021 and December 31, 2020 (unaudited)

(In Canadian dollars)

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 nine months of fiscal 2022 and fiscal 2021 amounted to \$118,551 and \$687,186 respectively for the Electronics Division and \$308,744 and \$878,756 respectively in the Specialty Structures Division for a total of \$427,295 and \$1,565,942 respectively. The total government assistance was recorded in the December 31, 2021 consolidated statement of comprehensive earnings as a reduction of the following accounts:

	Three months ending		Nine months ending	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	\$	\$		
Cost of sales	139,767	218,547	246,594	956,927
Research and development	47,162	108,324	114,637	350,089
Finance and administration	9,023	50,346	44,205	164,909
Sales and marketing	18,600	24,937	21,860	94,017
	<u>214,552</u>	<u>402,154</u>	<u>427,296</u>	<u>1,565,942</u>

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

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	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	14,319,242
Additions	25,893	7,223	-	-	210,876	2,857,278	-	3,101,271
Disposals	(15,815)	-	-	-	-	-	-	(15,815)
December 31, 2021	9,911,508	1,105,454	202,313	366,918	1,828,884	3,865,061	124,557	17,404,698
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	(467,999)	(9,535)	-	(5,797)	(74,756)	(332,272)	-	(890,359)
Disposal	15,815	-	-	-	-	-	-	15,815
December 31, 2021	(7,825,484)	(1,086,423)	(202,313)	(361,254)	(1,436,606)	(825,439)	-	(11,737,520)
Carrying amount,								
December 31, 2021	2,086,024	19,030	-	5,664	392,279	3,039,622	124,557	5,667,178
March 31, 2021	2,528,130	21,343	-	11,463	256,158	514,616	124,557	3,456,267

Included in factory equipment are right of use assets with a cost of \$2,059,916 and accumulated amortization of \$695,938. Included in building are right of use assets with a cost of \$2,857,278 and accumulated amortization of \$285,788. Refer to Note 7 for a breakdown of the Company's lease obligations.

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended December 31, 2021 and December 31, 2020 (unaudited)

(In Canadian dollars)

10. Intangibles

Cost, balance	Customer Relationship Software and Non-competes		Total
	Software	and Non-competes	
	\$	\$	\$
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	-	-	-
December 31, 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	(62,409)	(97,745)	(160,154)
December 31, 2021	(265,931)	(1,280,688)	(1,546,619)
Carrying amount,			
December 31, 2021	92,847	32,582	125,429
March 31, 2021	155,256	130,327	285,583

11. Due to related parties

	December 31, 2021	March 31, 2021
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,878,093	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.	398,115	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
	5,027,871	5,083,293
Less: current portion	(50,000)	(50,000)
	4,977,871	5,033,293

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended December 31, 2021 and December 31, 2020 (unaudited)

(In Canadian dollars)

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

As at December 31, 2021, a balance of \$3,878,093 (\$2,642,459 principal and \$1,235,634 interest); March 31, 2021 - \$3,932,870 (\$2,697,236 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 nine months of fiscal 2022 payments in the amount of \$54,777 were repaid to senior officers. The balance of the amount is classified as long-term, as the related parties have 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 December 31, 2021. The balance of the amount is classified as long-term, as the related parties have agreed with third-party lenders to postpone repayments.

As at December 31, 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 December 31, 2021, a balance of \$398,115 (\$215,227 rent arrears and \$182,888 interest); March 31, 2020 - \$398,760 (\$215,872 rent arrears and \$182,888 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corporation. The related 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 December 31, 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 December 31, 2021. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents in the form of lease payments paid to Tidal Quality Management Corporation during the nine months ended December 31, 2021, totaled \$466,317 (\$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 December 31, 2021, the accrued and unpaid dividends on Class A preferred shares were \$19,357,500 (\$18,258,000 - March 31, 2021).

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended December 31, 2021 and December 31, 2020 (unaudited)

(In Canadian dollars)

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 December 31, 2021 there were 880,000 options outstanding and exercisable at an exercise price of \$0.11.

13. Basic and diluted (loss) per common share

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

For the first nine months ended December 31, 2021 and 2020, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options and convertible instruments.

	Three months ending	
	December 31, 2021 (unaudited) \$	December 31, 2020 (unaudited) \$
Net (loss) from operations	(559,550)	(31)
Cumulative dividends on preferred shares - per annum	(366,500)	(366,500)
Net (loss) attributed to common shares (basis and diluted)	(926,050)	(366,531)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from operations	(0.07)	(0.03)
	Nine months ending	
	December 31, 2021 (unaudited) \$	December 31, 2020 (unaudited) \$
Net profit from operations	164,229	85,252
Cumulative dividends on preferred shares - per annum	(1,099,500)	(1,099,500)
Net (loss) attributed to common shares (basis and diluted)	(935,271)	(1,014,248)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from operations	(0.07)	(0.08)

Plaintree Systems Inc.

Notes to the condensed consolidated interim financial statements

For the three and nine months ended December 31, 2021 and December 31, 2020 (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.

Revenue by division

	Three months ending		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
	\$			
Electronics	1,561,226	1,642,587	4,115,184	4,598,999
Specialty Structures	1,549,376	1,311,785	6,910,193	3,404,728
	3,110,602	2,954,372	11,025,377	8,003,727

Revenue by geographical location

	Three months ending		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
	\$		\$	
Canada	1,369,817	1,121,066	6,067,942	3,084,171
United States	1,716,510	1,616,817	4,857,760	4,669,092
Other	24,275	216,489	99,675	250,464
	3,110,602	2,954,372	11,025,377	8,003,727

Net earnings (loss) before taxes by division

	Three months ending		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
	\$		\$	
Electronics	120,268	114,675	(19,773)	447,325
Specialty Structures	(679,818)	(114,706)	184,002	(362,073)
	(559,550)	(31)	164,229	85,252

Product revenue concentration (customers v

	Three months ending		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
Number of customers	1	1	2	1
% of total revenue	13%	27%	13%, 13%	21%

Assets by division

	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
Electronics	7,707,913	6,941,028
Specialty Structures	5,649,163	3,926,738

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

PLAINTREE SYSTEMS INC.

For the three and nine months ended December 31, 2021 and December 31, 2020

Date: February 23, 2022

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 and nine months ended December 31, 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 February 23, 2022, 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)

	Three months ending		Nine months ending	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$		
Revenue	3,111	2,954	11,025	8,004
Net earnings (loss) and comprehensive earnings (loss)	(560)	-	164	-
Net earnings (loss) attributed to common shareholders	(926)	(366)	(935)	(1,014)
Basic and diluted (loss) per share	(0.07)	(0.03)	(0.07)	(0.08)

(\$000s, except per share amounts)

	December 31, 2021	March 31, 2021
	(unaudited)	(audited)
	\$	\$
Total assets	13,357	12,048
Total liabilities	11,224	10,079
Long-term liabilities	8,473	6,877
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		
	December 31, 2021	December 31, 2020	Change from
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	3,110	2,954	156
Cost of sales	2,609	2,197	412
Gross margin	501	757	(256)
	16%	26%	
Operating expenses:			
Research and development	431	258	173
Finance and administration	396	380	16
Sales and marketing	174	92	82
Interest expense	66	46	20
(Gain) loss on foreign exchange	(6)	(19)	13
	1,061	757	304
Net (loss) and comprehensive (loss) before non-recurring items	(560)	-	(560)

(\$000s)

	Nine months ending		
	December 31, 2021	December 31, 2020	Change from
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	11,025	8,004	3,021
Cost of sales	8,155	5,927	2,228
Gross margin	2,870	2,077	793
	26%	26%	
Operating expenses:			
Research and development	1,179	711	468
Finance and administration	975	882	93
Sales and marketing	444	268	176
Interest expense	173	128	45
(Gain) loss on foreign exchange	(65)	3	(68)
	2,706	1,992	714
Net (loss) and comprehensive (loss) before non-recurring items	164	85	79

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		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
	\$		\$	
Electronics	1,561,226	1,642,587	4,115,184	4,598,999
Specialty Structures	1,549,376	1,311,785	6,910,193	3,404,728
	3,110,602	2,954,372	11,025,377	8,003,727

Revenue by geographical location

	Three months ending		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
	\$		\$	
Canada	1,369,817	1,121,066	6,067,942	3,084,171
United States	1,716,510	1,616,817	4,857,760	4,669,092
Other	24,275	216,489	99,675	250,464
	3,110,602	2,954,372	11,025,377	8,003,727

Net earnings (loss) before taxes by division

	Three months ending		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
	\$		\$	
Electronics	120,268	114,675	(19,773)	447,325
Specialty Structures	(679,818)	(114,706)	184,002	(362,073)
	(559,550)	(31)	164,229	85,252

Product revenue concentration (customers v

	Three months ending		Nine months ending	
	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
Number of customers	1	1	2	1
% of total revenue	13%	27%	13%, 13%	21%

Assets by division

	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)
Electronics	7,707,913	6,941,028
Specialty Structures	5,649,163	3,926,738

Revenues

Total product revenue from ongoing operations for the first three and nine months of fiscal 2022 was \$3,110,602 and \$11,025,377 respectively compared to \$2,954,372 and \$8,003,727 in the same periods of fiscal 2021.

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

Plaintree's Electronics Division revenues from operations decreased in the first nine months of fiscal 2022 to \$4,115,184 from \$4,598,999 in the same period of fiscal 2021.

Plaintree's Specialty Structures Division revenues from operations increased to \$6,910,193 in the first nine months of fiscal 2022 from \$3,404,728 from the same period in fiscal 2021.

Gross Margin

Total gross margin remained constant during the first nine months of fiscal 2022 and fiscal 2021 at 26%. The Company recorded in cost of goods sold, \$246,594 and \$956,927 for the nine months ended December 31, 2021 and December 31, 2020 respectively, in Government sponsored wage and rent subsidies related to Covid-19.

Operating Expenses

Research and development expenses

Research and development expenses were \$1,179,064 and \$710,729 during the first nine months of fiscals 2022 and 2021, respectively. Included are Government wage and rent subsidies of \$114,637, and \$350,089 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 \$981,170 and \$881,640 for the first nine months of fiscals 2022 and 2021, respectively. Included are Government wage and rent subsidies of \$44,205 and \$164,909 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 \$444,414 and \$267,543 for the first nine months of fiscals 2022 and 2021, respectively. Included are Government wage and rent subsidies of \$21,860 and \$94,017 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 \$173,223 and \$127,928 for the first nine 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 \$(65,121) and a loss of \$3,434 in the first nine 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 nine months of fiscal 2022 and fiscal 2021 were \$(935,271) and \$(1,014,248), 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 at December 31, 2021 the accrued and unpaid dividends on the Class A preferred shares were \$19,357,500 (March 31, 2021 - \$18,258,000).

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)

	Dec 31 2021 Q3 2022	Sept 30 2021 Q2 2022	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
Revenue	\$ 3,111	\$ 4,271	\$ 3,643	\$ 4,656	\$ 2,954	\$ 2,378	\$ 2,672	\$ 17,356
Net (loss) earnings and total comprehensive (loss) earnings	(560)	462	262	809	0	(265)	350	(2901)
Net (loss) earnings attributed to common shareholders	(926)	95	(104)	442	(367)	(631)	(16)	(3,268)
Basic and diluted (loss) earnings per share	(0.07)	0.01	(0.01)	0.03	(0.03)	(0.05)	(0.00)	(0.25)

Liquidity and Capital Resources

in \$000s

	December 31, 2021 (unaudited)	March 31, 2021 (audited)	Change
Cash	\$ 915	\$ 2,067	(1,152)
Working Capital	4,528	4,814	(286)

	December 31, 2021 (unaudited)	December 31, 2020 (unaudited)	Change
Net cash provided by (used in) :	\$	\$	\$
Operating activities	29	197	(168)
Investing activities	(237)	(53)	(184)
Financing activities	944	(807)	1,751

Cash

As at December 31, 2021, the Company had a cash balance of \$914,845, a decrease of \$1,154,843 from cash balance of \$2,066,688 in March 31, 2021.

Working Capital

Working capital represents current assets less current liabilities. As at December 31, 2021, the Company had working capital of \$4,527,851 compared to a working capital of \$4,814,463 at March 31, 2021.

Operating activities

Cash provided by operating activities during the first nine months of fiscal 2022 was \$28,862 representing a decrease of \$167,726 from cash provided of \$196,588 for the respective period during fiscal 2021. Cash provided by operating activities during the period was primarily the result of profitability and unbilled revenue.

Investing activities

Cash (used in) investing activities during the first nine months of fiscal 2022 was \$(237,117) representing an increase of \$(183,724) in investing activities from cash provided of \$(53,393) in the respective period during fiscal 2021. The use of cash from investing activities during the period was primarily to acquire manufacturing equipment and leasehold improvements.

Financing activities

Cash (used in) financing activities during the first nine months of fiscal 2022 was \$(943,588) representing an increase of \$(136,269) from cash used of \$(807,319) 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 an operating 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 December 31, 2021 was \$2,317,754 CAD of which \$NIL was in use and a letter of credit in the amount of US\$100,000 (\$126,780 CAD) leaving \$2,190,974 CAD available. The Company through its bank has in place a standby letter of 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 \$972,584 CAD was in use at December 31, 2021. The Company has in place a capital credit facility of up to \$2,000,000 CAD to assist with financing of new and used equipment. As at December 31, 2021 \$924,022 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

	December 31, 2021	March 31, 2021
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,878,093	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.	398,115	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
	5,027,871	5,083,293
Less: current portion	(50,000)	(50,000)
	4,977,871	5,033,293

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

As at December 31, 2021, a balance of \$3,878,093 (\$2,642,459 principal and \$1,235,634 interest); March 31, 2021 - \$3,932,870 (\$2,697,236 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 nine months of fiscal 2022 payments in the amount of \$54,777 were repaid to senior officers. The balance of the amount is classified as long-term, as the related parties have 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 December 31, 2021. The balance of the amount is classified as long-term, as the related parties have agreed with third-party lenders to postpone repayments.

As at December 31, 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 December 31, 2021, a balance of \$398,115 (\$215,227 rent arrears and \$182,888 interest); March 31, 2020 - \$398,760 (\$215,872 rent arrears and \$182,888 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corporation. The related 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 December 31, 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 December 31, 2021. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents in the form of lease payments paid to Tidal Quality Management Corporation during the nine months ended December 31, 2021, totaled \$466,317 (\$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 February 23, 2022 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 December 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.