

Plaintree Systems Inc. Announces Intention to Acquire Specialty Manufacturer of Home Appliances

Arnprior, Ontario (March 29, 2022) – Plaintree Systems Inc. (CSE: NPT) (“Plaintree” or the “Company”).

Share Purchase Agreement to Purchase Shares of Elmira Stove Works

Plaintree today also announced that it has finalized the terms of a share purchase agreement with Tom Hendrick, Brian Hendrick and Jane Hendrick, the shareholders of Hendrick Energy Systems Inc. (“HES”) and Elmira Direct Limited (“Elmira” and collectively with HES, “Elmira Stove Works”), pursuant to which 9366920 Canada Inc. (“9366920”), a wholly-owned subsidiary of Plaintree, will purchase all of the shares of Elmira Stove Works (the “Transaction”). The share purchase agreement, which will be signed by the parties on the closing, which is expected to be March 30, 2022, completes the negotiations process commenced by the signing of a non-binding letter of intent in December 2021. Elmira Stove Works, Ontario private companies operating in Elmira, Ontario, are in the business of manufacturing and selling of high-end antique and retro styled home kitchen appliances as well as wood burning cookstoves with sales in both Canada and the United States.

Following the closing, the Elmira Stove Works business will be moved to the Company’s Arnprior, Ontario facilities to continue its operation from there. Shortly following the closing, Elmira Stove Works and 9366920 will complete a short-form amalgamation and the amalgamated company will continue the Elmira Stove Works business under the corporate name Elmira Stove Works Inc. Elmira Stove Works Inc. will continue to be a wholly-owned subsidiary of Plaintree following the amalgamation.

The Transaction will be completed on a share purchase basis with an all cash purchase price. Elmira Stove Works will be acquired on a debt free cash free basis. The purchase price for Elmira Works is estimated to be \$3.1 million and is comprised of: (i) three cash payments of \$500,000 due on each of the closing date, and 6 and 12 months thereafter; (ii) an earnout equal to 8% of net sales of the Elmira Stove Works business during the 12 months period commencing 60 days following the closing date (up to a maximum of \$500,000); and (iii) the value of inventory on hand on closing payable over a 24 month period following the closing date as and when the inventory is sold (estimated to be \$1.1 million). The Transaction will be financed by an increase of \$1.5 million in the Company’s banking facilities with a portion of the purchase price based on the value of the inventory on hand at HES and Elmira on closing to be paid over a 24 month period following closing as inventory is used in the business with the balance of funds expected to come from the resources of the acquired business. The bank facility involves a term loan with a term of five (5) years with the loan to be advanced in three tranches of \$500,000 on the closing of the transaction and each of 6 months and 12 months after the closing. The interest rate will be a floating rate equal to the bank’s prime rate plus 1%. The term loan will be repayable through monthly principal payments and a lump sum due on the maturity date of accrued interest and any principal then outstanding. The term loan will be secured by the Company’s existing security with the bank as well as a pledge over the Elmira Stove Works shares being acquired. In addition to the bank’s security, the vendors of Elmira Stove Works has also been granted a security interest over the assets of Elmira Stove Works to support the post-closing payments and this security interest is being subordinated to the security of the bank.

The Transaction is not subject to shareholder or other regulatory approval. The completion of the Transaction is subject to customary closing conditions and closing is expected to be completed by the end of March, 2022. The board of directors of the Company has considered all relevant factors and unanimously determined that the purchase of the Elmira Stove Works business is in the best interests of the Company and its shareholders.

“As we all know, Plaintree is always on the look for interesting and profitable manufacturing targets” said David Watson, Plaintree CEO. “The first time I saw the Elmira line I was reminded of Victor Kiam and Remington, ‘I loved the product so much we bought the company!’. The Elmira Stove Works business will help fill space in our Arnprior location and the acquisition fits within our manufacturing wheel-house. Elmira has been a family run company for over 40 years and the quality and uniqueness of their vintage appliance lines impresses even an experienced Aerospace guy like me.”

“This has been my baby for many years” said Elmira Stove Works founder, CEO and shareholder Tom Hendrick. “We had number of suitors but the enthusiasm from David and his team convinced us that Elmira is passing into the right hands.”

“David and his companies demonstrated to us that their experience in manufacturing everything from Aerospace to mining domes would allow them to easily move the production lines into their Arnprior location” said Brian Hendrick, departing Elmira Stove Works shareholder and President.

Following the closing, Elmira Stove Works will join Plaintree’s Electronic Division.

About Elmira Stove Works

Commencing its business in the 1970s, Elmira Stove Works manufactures and sells direct to consumers and through dealers in Canada and the United States high-end antique and retro-styled home kitchen appliances under the brand names “Northstar”, “Fireview” and “Antique”. Elmira Stove Works is a private company and operates out of facilities located in Elmira, Ontario.

About Plaintree Systems

Plaintree has two diversified product lines consisting of specialty structures and electronics.

The specialty structures division includes the former Triodetic Group with over 40 years of experience in the design/build manufacture ring of steel, aluminum and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings and includes Spotton Corporation, a design and manufacturer of high end custom hydraulic and pneumatic valves and cylinders.

The electronics division includes the legacy Hypernetics and Summit Aerospace USA Inc. businesses. Hypernetics was established in 1972 and is a manufacturer of avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids, high purity valves and permanent magnet alternators. Summit Aerospace USA Inc. provides high precision machining to the aerospace and defense markets. Our facility includes 5 axis CNC precision machining of complex castings and large ring parts such as turbine and assembly shrouds as well as assembly & pressure seals. Summit will support requirements from concept, prototype and throughout production.

Plaintree’s shares are traded under the symbol “NPT”. Shareholders and investors can access Company information on CSE’s website and receive full Company disclosure monthly. For more information on Plaintree or to receive stock quotes, complete with trading summaries, bid size and ask price, brokerage house participation, insider reports, news releases, disclosure information, and CSE and SEDAR filings, visit the CSE website at www.cnsx.ca or the Company’s website at www.plaintree.com.

Plaintree is publicly traded in Canada on the CSE (NPT) with 12,925,253 common shares and 18,325 class A preferred shares outstanding.

This press release may include statements that are forward-looking and based on current expectations. The actual results of the company may differ materially from current expectations. The business of the company is subject to many risks and uncertainties, including changes in markets for the company's products, delays in product development and introduction to manufacturing and intense competition. For a more detailed discussion of the risks and uncertainties related to the company's business, please refer to documents filed by the company with the Canadian regulatory authorities, including the annual report of the Company for the fiscal year ended March 31, 2019 and related management discussion and analysis.

Canadian Securities Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this news release.

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