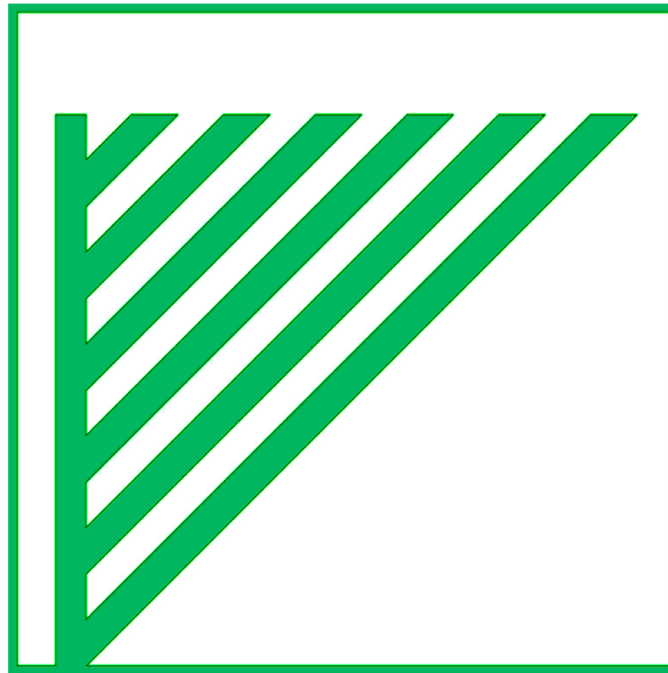




PLAINTREE



Q1-2023

For the three months ending June 30, 2022

“Notice to Reader”

The accompanying unaudited interim financial statements of Plaintiff Systems Inc. for the three months ended June 30, 2022 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 25, 2022

“David Watson”

David Watson
CEO

Plaintree Systems Inc.

Consolidated statements of financial position

(unaudited)

(in Canadian dollars)

	June 30, 2022	March 31, 2022
	\$	\$
Assets		
Current assets		
Cash	1,325,275	1,911,201
Trade receivables and other receivables	2,931,224	2,787,415
Unbilled revenue	2,317,763	2,012,856
Inventories (Note 3)	3,031,020	3,093,664
Prepaid expenses and other receivables	482,919	331,868
Current portion of mortgage receivable (Note 4)	5,663	5,578
	10,093,864	10,142,582
Long-term portion of mortgage receivable (Note 4)	282,783	284,231
Property, plant and equipment (Note 8)	3,026,384	3,047,340
Right of use asset, building (Note 8)	2,348,162	2,428,686
Intangible assets (Note 9)	1,326,426	1,291,353
Goodwill (Note 9)	853,302	853,302
	17,930,921	18,047,494
Liabilities		
Current liabilities		
Trade and other payables	2,309,926	2,614,742
Deferred revenue	814,202	867,233
Current portion of taxes payable	170,000	170,000
Current portion of long-term debt and lease obligation (Note 5,6)	4,238,812	4,324,490
Current portion of due to related parties (Note 10)	50,000	50,000
Current portion of government assistance (Note 7)	65,031	74,099
	7,647,971	8,100,564
Long-term debt and lease obligation (Note 5,6)	2,405,937	2,403,761
Deferred government assistance (Note 7)	478,191	470,490
Due to related parties (Note 10)	4,953,063	4,965,564
Deferred tax liabilities	340,000	340,000
	15,825,162	16,280,379
Shareholders' equity (deficiency)		
Issued capital	2	2
Contributed surplus	2,159,842	2,159,842
	(54,085)	(392,729)
	2,105,759	1,767,115
	17,930,921	18,047,494

Approved by the Board

"David Watson""Girvan Patterson"

Plaintree Systems Inc.

Consolidated statements of comprehensive earnings

For the three months ended June 30, 2022 and June 30, 2021

(unaudited)

(in Canadian dollars)

	Three months ended	
	June 30, 2022	June 30, 2021
	\$	\$
Revenue	5,446,500	3,643,370
Cost of sales	3,989,688	2,581,132
Gross margin	1,456,812	1,062,238
Operating expenses		
Research and development	403,281	343,576
Finance and administration	351,629	301,654
Sales and marketing	340,987	118,208
Interest expense	87,673	46,207
(Gain) on foreign exchange	(65,402)	(9,552)
	1,118,168	800,093
Net earnings and comprehensive earnings	338,644	262,145
Basic and diluted (loss) per common share (Note 12)	(0.00)	(0.01)
Weighted average common shares outstanding	12,925,253	12,925,253

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

Plaintree Systems Inc.

Consolidated statements of cash flows

For the three months ended June 30, 2022 and June 30, 2021

(unaudited)

(in Canadian dollars)

	Three months ended	
	June 30, 2022	June 30, 2021
	\$	\$
Operating activities		
Comprehensive earnings	338,644	262,145
Add (deduct) items not affecting cash:		
Depreciation of intangible assets	43,965	36,446
Depreciation of property, plant and equipment	376,226	194,634
Write-down of inventory	53,886	-
Changes in non-cash operating working capital items		
Deferred revenue	(53,031)	204,928
Inventories	8,758	18,610
Prepaid expenses and other receivables	(151,051)	(471,446)
Trade and other payables	(304,816)	(287,250)
Trade and other receivables	(143,809)	171,196
Unbilled revenue	(304,907)	594,026
Mortgage receivable	1,363	1,283
Cash (used) provided by operations	(134,772)	724,572
Investing activities		
Payments to acquire intangible assets	(79,038)	-
Payments to acquire property, plant and equipment	(41,457)	(71,740)
Cash (used) in investing activities	(120,495)	(71,740)
Financing activities		
Repayment of government assistance	(1,367)	(22,649)
Repayment of long-term debt	(116,290)	(80,097)
Proceeds from financing	165,281	-
Repayment of capital lease obligations	(365,782)	(129,981)
Repayment of related party borrowings (Note 10)	(12,501)	(29,014)
Cash (used) in financing activities	(330,659)	(261,741)
Net cash inflow	(585,926)	391,091
Net cash (beginning of the year)	1,911,201	2,066,688
Net cash, end of the period	1,325,275	2,457,779

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, 2022 and June 30, 2021
audited
(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, 2022	12,925,253	1	18,325	1	2,159,842	(392,729)	1,767,115
Net earnings and comprehensive earnings						338,644	338,644
Balances at June 30, 2022	12,925,253	1	18,325	1	2,159,842	(54,085)	2,105,759
	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	2,231,145

(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 consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (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, Spotton Corporation and the Elmira Stove Works business. 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 Elmira Stove Works business manufactures custom vintage-inspired kitchen appliances for the North American consumer market.

On March 30, 2022, Plaintree, through a wholly-owned subsidiary, purchased the Elmira Stove Works business by acquiring all the issued and outstanding share capital of Hendrick Energy Systems Inc. ("HES") and Elmira Direct Limited ("Elmira") for an estimated total purchase price of \$3.1 million assuming full earnout payment and all closing date inventory being sold within 24 months of closing. To assist funding the Elmira Stove Works acquisition, Plaintree increased its bank facility by a \$1.5 million term loan with its banker, of which \$500,000 was advanced on the closing of the Elmira Stove Works transaction with the remaining advances of \$500,000 each to occur on September 30, 2022 (6 months following closing) and March 30, 2023 (12 months following closing). All the proceeds from the advances will be used to fund the payment of the purchase price to the vendors of Elmira Stove Works.

In April 2022, the Elmira Stove Works business was moved to the Company's Arrnprior, Ontario facilities to continue its operations from there. On April 14, 2022 Elmira Stove Works completed a short-form amalgamation with two Plaintree subsidiaries and is continuing under the corporate name Elmira Stove Works Inc. It is a wholly-owned subsidiary of Plaintree Systems Inc.

The address of the Company's registered office and principal place of business is 10 Didak Drive, Arrnprior, 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 25, 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, 2022.

(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.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

(c) Basis of consolidation

The consolidated financial statements include the accounts of Plaintiff Systems Inc. and its wholly-owned subsidiaries: Summit Aerospace USA Inc. and Triodetic Inc. (U.S. companies), and Triodetic Ltd, Spotton Corporation, and Elmira Stove Works Inc. (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.

3. Inventories

	June 30, 2022	March 31, 2022
	(unaudited)	(audited)
	\$	\$
Raw materials	2,959,704	2,398,089
Work in process	1,602	636,652
Finished goods	69,714	58,923
	3,031,020	3,093,664

The cost of inventories recognized as an expense during the three months ending June 30, 2022 was \$3,969,687 (\$2,573,619 – June 30, 2021). The total carrying value of inventory as at June 30, 2022, was pledged as security through general security agreements under bank lines of credit and related party liabilities (see note 10).

The Company wrote down its inventories by \$53,886 during the first three months of fiscal 2023 (\$NIL in the first three months of fiscal 2021) to reflect where the carrying amount exceeded net realizable value. The Company had write ups totaling \$996 in the first quarter of fiscal 2023 (\$5,761 in the first quarter of fiscal 2022).

4. Mortgage receivable

In March 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. 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. The building was not used by the Issuer in its operations and was leased to a third party. The gain on sale was \$283,068. The remaining mortgage payments are as follows:

	\$
2023	4,215
2024	5,926
2025	278,305
Net mortgage receipts	<u>288,446</u>

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

5. Long-term debt

	June 30, 2022	March 31, 2022
	(unaudited)	(audited)
Non-revolving loan payable in monthly blended installments of principal and interest, \$8,143, at a rate of 5.663%, secured by general security agreement, maturing April 2024.	\$ 162,388	\$ 184,369
Non-revolving loan payable (\$190,825 USD) in monthly blended installments of principal and interest, \$9,883 USD, at a rate of 4.1%, secured by general security agreement, maturing April 2024.	245,897	284,100
Promissory notes	933,425	933,425
Contingent purchase consideration	1,319,459	1,320,231
Non-revolving loan payable in monthly installments of principal , \$5,952.38 at a rate of prime + 1%, secured by general security agreement, maturing March 2027.	482,143	500,000
Non-revolving loan payable in monthly blended installments of principal and interest, \$15,148, at a rate of 3.640%, secured by general security agreement, maturing March 2026.	636,287	675,701
Deferred financing fees	(104,702)	(106,640)
	3,674,896	3,791,186
Current portion	(3,050,020)	(3,183,064)
	624,876	608,122

Long-term debt excluding the promissory notes and contingent purchase consideration totaling \$1,526,714 are subject to certain covenants, including a debt service covenant which the Company was not in compliance as at June 30, 2022. As a result, \$1,526,714 is included in the current portion of long-term debt.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

6. Lease Obligation

The Company's leases are for factory equipment, sales showroom and plant. The leases are typically 5 to 7 years in length and are subject to a range of interest rates from 4 to 8 percent per annum. During Fiscal 2022, the Company entered into a 5 year office lease agreement with a related party. In the first quarter of Fiscal 2023 the Company entered into a 3 year showroom lease for the Elmira business in Elmira, Ontario. Both leases have 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 June 30, 2022:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2023 remaining	267,902	474,781	742,683
Fiscal 2024	341,017	633,697	974,714
Fiscal 2025	69,186	634,352	703,538
Fiscal 2026	-	609,750	609,750
Thereafter	-	152,438	152,438
Total future minimum lease payments	678,105	2,505,017	3,183,122
Imputed interest	(48,725)	(171,624)	(220,349)
Total lease liabilities	636,460	2,333,393	2,969,853
Less: current portion	(629,380)	(559,412)	(1,188,792)
Non-current portion	7,080	1,773,981	1,781,061

Included in the factory equipment leases are \$601,983 leases subject to certain covenants, including a debt service covenant which the Company was not in compliance as at June 30, 2022. As a result, \$601,983 is included in the current portion of long-term debt.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

7. Government assistance

The Company's Summit Aerospace USA Inc. division accepted a loan of \$720,000 USD (\$927,792 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	Deferred Government Assistance	Repayable government assistance
	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$
Opening Balance	419,093	45,496	464,589
Loan adjustment for exchange	13,079	1,421	14,500
Repayments	(15,866)		(15,866)
Accretion	3,023	(3,023)	-
June 30, 2022	419,329	43,894	463,222
Current Portion	(65,031)	(11,224)	(76,255)
Balance	354,298	32,671	386,966

During fiscal 2021 the Company accepted short term, interest free loans in the amount of \$120,000 under the Canada Emergency Business Account ("CEBA"). The forgivable portions totaling \$40,000 was recorded as income (Specialty Structures Division) during fiscal 2021. The repayable portions of both loans totaling \$80,000 is repayable by December 31, 2023.

The following table presents the CEBA repayments at June 30, 2022:

2023	\$80,000
------	----------

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

8. Property, plant and equipment

	Factory equipment	Computer equipment	Furniture	Vehicles	Lease improvements	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost, balance								
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	126,151	16,735	-	472	229,190	2,857,278	-	3,229,826
Disposals	(17,065)	(4,195)	-	-	-	-	-	(21,260)
March 31, 2022	10,010,516	1,110,771	202,313	367,390	1,847,198	3,865,061	124,557	17,527,808
Additions	189,480	3,196	-	-	14,063	68,008	-	274,746
June 30, 2022	10,199,996	1,113,967	202,313	367,390	1,861,261	3,933,069	124,557	17,802,554
Depreciation, balance								
March 31, 2021	(7,373,300)	(1,076,887)	(202,313)	(355,457)	(1,361,850)	(493,167)	-	(10,862,975)
Depreciation	(613,345)	(12,991)	-	(7,729)	(101,387)	(474,468)	-	(1,209,920)
Disposal	16,919	4,195	-	-	-	-	-	21,114
March 31, 2022	(7,969,726)	(1,085,683)	(202,313)	(363,186)	(1,463,237)	(967,635)	-	(12,051,780)
Depreciation	(177,359)	(5,670)	-	(4,472)	(24,423)	(164,300)	-	(376,224)
June 30, 2022	(8,147,085)	(1,091,353)	(202,313)	(367,658)	(1,487,660)	(1,131,935)	-	(12,428,004)
Carrying amount,								
June 30, 2022	2,052,911	22,612	-	(268)	373,602	2,801,134	124,557	5,374,547
March 31, 2022	2,040,790	25,087	-	4,206	383,961	2,897,426	124,557	5,476,027

Included in factory equipment are right of use assets with a cost of \$2,176,196 and accumulated amortization of \$794,808 (March 31, 2022 - cost of \$2,059,916 and accumulated amortization of \$676,317) and included in building are right of use assets with a cost of \$2,925,286 and accumulated depreciation of \$577,123 (March 31, 2022 - cost of \$2,857,278 and accumulated depreciation of \$428,592). Refer to Note 6 for a breakdown of the Company's lease obligations.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

9. Intangibles

	Brand	Goodwill	Software	Customer Relationship and Non-compete	Total
Cost, balance			\$	\$	\$
March 31, 2021	-	-	358,778	1,313,270	1,672,048
Additions	655,000	853,302	15,655	616,000	2,139,957
Disposals			(182,258)		(182,258)
March 31, 2022	655,000	853,302	192,175	1,929,270	3,629,747
Additions			79,038		79,038
June 30, 2022	655,000	853,302	271,214	1,929,270	3,708,786
Accumulated Depreciation, balance					
March 31, 2021	-	-	(203,522)	(1,182,943)	(1,386,465)
Depreciation	-	-	(81,981)	(130,327)	(212,308)
Disposals	-	-	113,681	-	113,681
March 31, 2022	-	-	(171,822)	(1,313,270)	(1,485,092)
Depreciation	(16,375)	-	(12,190)	(15,400)	(43,965)
June 30, 2022	(16,375)	-	-	(1,328,670)	(1,529,057)
Carrying amount,					
June 30, 2022	638,625	853,302	271,214	600,600	2,179,728
March 31, 2022	655,000	853,302	20,353	616,000	2,144,655

10. Due to related parties

	June 30, 2022	March 31, 2022
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,853,285	3,865,785
Dividends payable	60,000	60,000
Due to Targa Group Inc, convertible debentures	247,672	247,672
Due to Tidal Quality Management Inc.	398,116	398,116
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
	5,003,064	5,015,564
Less: current portion	(50,000)	(50,000)
	4,953,064	4,965,564

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

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

As at June 30, 2022, a balance of \$3,853,285 (\$2,617,651 principal and \$1,235,634 interest); March 31, 2022 - \$3,865,785 (\$2,630,151 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 2023 payments in the amount of \$12,500 were repaid to senior officers. As of June 30, 2022, \$50,000 was classified as current. 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, 2022) of the dividend remains outstanding as at June 30, 2022. 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, 2022, interest in the amount of \$247,672 (\$247,672 - March 31, 2022) 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, 2022, a balance of \$398,116 (\$215,227 rent arrears and \$182,889 interest); March 31, 2022 - \$398,116 (\$215,227 rent arrears and \$182,889 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corp. 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, 2022, \$NIL (\$NIL - March 31, 2022) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 - March 31, 2022) outstanding for a balance of \$242,598 (\$242,598 - March 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.

Interest in the amount of \$66,581 (\$66,581 - March 31, 2022) 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, 2022), on a loan from Targa remains outstanding as of June 30, 2022. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

11. Share capital

Authorized, unlimited number

Common shares

Class A preferred shares

Class A preferred shares entitled to a cumulative dividend, calculated on a redemption amount, payable in priority to dividends on common shares, redeemable at the option of the Company at any time at \$1000 per share plus 8% cumulative dividends, calculated on redemption amount, redeemable at the option of the Company at any time liquidation preference of the redemption value plus cumulative dividends (when and if declared) to common shares; non-voting. As of March 31, 2022, the accrued and unpaid dividends on Class A preferred shares were \$20,090,501 (\$18,258,000 – March 31, 2022).

Stock option plans

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, 2022 there were 880,000 options outstanding and exercisable at an exercise price of \$0.11.

12. Basic and diluted earnings per common share

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

For the three months ended June 30, 2022 and June 30, 2021, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options and convertible instruments.

	June 30, 2022 (unaudited) \$	June 30, 2021 (unaudited) \$
Net profit from operations	338,644	262,145
Cumulative dividends on preferred shares - per annum	(366,500)	(366,500)
Net (loss) attributed to common shares (basis and diluted)	(27,856)	(104,355)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from operations	(0.00)	(0.01)

Plaintree Systems Inc.

Notes to the consolidated financial statements

For the quarters ended June 30, 2022 and June 30, 2021 (unaudited)

(In Canadian dollars)

13. 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 products, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$5,374,547 (June 30, 2021 - \$3,456,268) in property, plant and equipment and Right of Use Asset, building \$4,147,352 (2021 - \$1,551,281) is located in Canada and \$1,227,195 (2021 - \$1,904,987) in the United States. All the Company's intangible assets are primarily located in Canada.

Revenue by division

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
	\$	
Applied Electronics	1,567,819	1,339,320
Specialty Structures	3,878,681	2,304,050
	5,446,500	3,643,370

Revenue by geographical location

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
	\$	
Canada	2,177,037	1,825,656
United States	2,872,266	1,742,315
Other	397,197	75,399
	5,446,500	3,643,370

Net earnings (loss) before taxes by division

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
	\$	
Applied Electronics	(257,351)	(83,650)
Specialty Structures	595,995	345,795
	338,644	262,145

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

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Number of customers	2	2
% of total revenue	13%, 14%	14%, 18%

Assets by division

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Applied Electronics	11,144,127	6,465,006
Specialty Structures	6,786,794	5,500,698

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

PLAINTREE SYSTEMS INC.

For the three months ended June 30, 2022 and June 30, 2021

Date: August 25, 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 months ended June 30, 2022 and 2021. 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 25, 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; supply and/or staffing issues in relation to ongoing COVID concerns; and Plaintiff's success in integrating business's it acquires. 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, Spotton Corporation and the Elmira Stove Works business. 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 Elmira Stove Works business manufactures custom vintage-inspired kitchen appliances for the North American consumer market.

Acquisition of Elmira Stove Works

On March 30, 2022, Plaintree, through a wholly-owned subsidiary, purchased the Elmira Stove Works business by acquiring all the issued and outstanding share capital of Hendrick Energy Systems Inc. ("HES") and Elmira Direct Limited ("Elmira") for an estimated total purchase price of \$3.1 million assuming full earnout payment and all closing date inventory being sold within 24 months of closing. To assist funding the Elmira Stove Works acquisition, Plaintree increased its bank facility by a \$1.5 million term loan with its banker, of which \$500,000 was advanced on the closing of the Elmira Stove Works transaction with the remaining advances of \$500,000 each to occur on September 30, 2022 (6 months following closing) and March 30, 2023 (12 months following closing). All the proceeds from the advances will be used to fund the payment of the purchase price to the vendors of Elmira Stove Works.

In April 2022, the Elmira Stove business was moved to the Company's Arnprior, Ontario facilities to continue its operations from there. On April 14, 2022 Elmira Stove Works completed a short-form amalgamation within the Plaintree subsidiaries and is continuing under the corporate name Elmira Stove Works Inc., a wholly-owned subsidiary of Plaintree Systems Inc.

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	
	June 30, 2022	June 30, 2021
	(unaudited)	(unaudited)
	\$	\$
Revenue	5,447	3,643
Net earnings (loss) and comprehensive earnings (loss)	339	262
Net earnings (loss) attributed to common shareholders	(28)	(105)
Basic and diluted (loss) per share	(0.00)	(0.01)

(\$000s, except per share amounts)

	June 30, 2022	March 31, 2022
	(unaudited)	(audited)
	\$	\$
Total assets	17,931	18,047
Total liabilities	15,825	16,280
Long-term liabilities	8,274	8,180
Cash dividends declared per share	nil	nil

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

Results from Operations

(\$000s)	Three months ending		Change from
	June 30, 2022	June 30, 2021	
	(unaudited)	(unaudited)	
	\$	\$	\$
Revenue	5,447	3,643	1,804
Cost of sales	3,990	2,581	1,409
Gross margin	1,457	1,062	395
	27%	29%	
Operating expenses:			
Research and development	403	344	59
Finance and administration	352	302	50
Sales and marketing	341	118	223
Interest expense	88	46	42
(Gain) loss on foreign exchange	(66)	(10)	(56)
	1,118	800	318
Net earnings and comprehensive earnings	339	262	77

Business segment information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic product, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$5,374,547 (June 30, 2021 - \$3,456,268) in property, plant and equipment and Right of use asset, building, \$4,147,352 (2021 - \$1,551,281) is located in Canada and \$1,227,195 (2021 - \$1,904,987) in the United States. All the Company's intangible assets are primarily located in Canada.

Revenue by division

	June 30, 2022	June 30, 2021
	(unaudited)	(unaudited)
	\$	
Applied Electronics	1,567,819	1,339,320
Specialty Structures	3,878,681	2,304,050
	5,446,500	3,643,370

Revenue by geographical location

	June 30, 2022	June 30, 2021
	(unaudited)	(unaudited)
	\$	
Canada	2,177,037	1,825,656
United States	2,872,266	1,742,315
Other	397,197	75,399
	5,446,500	3,643,370

Net earnings (loss) before taxes by division

	June 30, 2022	June 30, 2021
	(unaudited)	(unaudited)
	\$	
Applied Electronics	(257,351)	(83,650)
Specialty Structures	595,995	345,795
	338,644	262,145

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

	June 30, 2022	June 30, 2021
	(unaudited)	(unaudited)
Number of customers	2	2
% of total revenue	13%, 14%	14%, 18%

Assets by division

	June 30, 2022	June 30, 2021
	(unaudited)	(unaudited)
Applied Electronics	11,144,127	6,465,006
Specialty Structures	6,786,794	5,500,698

Revenues

Total product revenue from ongoing operations for the first three months of fiscal 2023 was \$5,446,500 compared to \$3,643,370 for the first three months of fiscal 2022.

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

Plaintree's Electronics Division revenues from operations increased in first quarter of fiscal 2023 to \$1,419,925 compared to \$1,339,320 in first quarter of fiscal 2022.

Plaintree's Specialty Structures Division revenues from operations increased to \$4,027,205 in first quarter of fiscal 2023 from \$2,304,050 in first quarter of fiscal 2022.

Gross Margin

Total gross margin decreased during the first three months of fiscal 2023, to 27% compared to 29% for fiscal 2021 which included \$NIL, (\$102,039 – June 30, 2021) in Government wage and rent subsidies. Included in cost of goods sold are expenses related to operations to relocate and establish the production processes of the Elmira Stove Works business.

Operating Expenses

Research and development expenses

Research and development expenses were \$403,281 and \$343,576 for the first three months of fiscals 2023 and 2022, respectively. Included are Government wage and rent subsidies of \$NIL, (\$111,073 – June 30, 2022) related to COVID-19 assistance received. Research and development expenditures consist primarily of development engineering and personnel expenses.

Finance and administration expenses

Finance and administration expenses were \$351,629 and \$301,654 for the first three months of fiscals 2023 and 2022, respectively. Included are Government wage and rent subsidies of \$NIL, (\$7,102 – June 30, 2021) related to COVID-19 assistance received. 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 \$340,987 and \$118,208 for the first three months of fiscals 2023 and 2022, respectively. Included are Government wage and rent subsidies of \$NIL, (\$16,326 – June 30, 2021) related to COVID-19 assistance received. 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 \$87,673 and \$46,207 for the first three months of fiscals 2023 and 2022 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 \$(65,402) and (\$9,552) in the first three months of fiscals 2023 and 2022, respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized, of transactions and year end foreign balances that are completed in currencies other than the Company's reporting currency.

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

Net (loss) and comprehensive (loss) for first three months of fiscal 2023 and fiscal 2022 was \$(27,856) and \$(104,355), respectively. Net income attributed to common shareholders is calculated by reducing net income by the \$1,466,000 cumulative dividends that accrue annually on the Class A preferred shares. The cumulative dividends accrue at 8% per annum on the face value of the \$18,325,000 for the Class A preferred shares and as June 30, 2022 the accrued and unpaid dividends on the Class A preferred shares were \$20,090,501 (March 31, 2022 - \$18,258,000).

Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2023, 2022 and 2021:

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

	Jun 30 2022 Q1 2023	Mar 31 2022 Q4 2022	Dec 31 2021 Q3 2022	Sept 30 2021 Q2 2022	June 30 2021 Q1 2022	Mar 31 2021 0 2021	Dec 31 2020 Q3 2021	Sept 30 2020 Q2 2021
Revenue	\$ 5,447	\$ 5,168	\$ 3,111	\$ 4,271	\$ 3,643	\$ 4,656	\$ 2,954	\$ 2,378
Net earnings (loss) and total comprehensive earnings (loss)	339	(366)	(560)	462	262	809	0	(265)
Net (loss) earnings attributed to common shareholders	(28)	(733)	(926)	95	(104)	444	(367)	(632)
Basic and diluted (loss) earnings per share	(0.00)	(0.06)	(0.07)	0.01	(0.01)	0.03	(0.03)	(0.05)

Liquidity and Capital Resources

	June 30, 2022 (unaudited)	March 31, 2022 (audited)	Change
	\$	\$	\$
Cash	1,325	1,911	(586)
Working Capital	2,543	2,042	501

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)	Change
	\$	\$	\$
Net cash provided by (used in) :			
Operating activities	(135)	725	(860)
Investing activities	(120)	(72)	(48)
Financing activities	(331)	(262)	(69)

Cash

As at June 30, 2022, the Company had a cash balance of \$1,325,275 a decrease of \$(585,926) from cash balance of \$1,911,201 in March 31, 2022.

Working Capital

Working capital represents current assets less current liabilities. As at June 30, 2022, the Company had working capital of \$2,542,935 compared to a working capital of \$2,042,018 at March 31, 2022.

Operating activities

Cash (used) by operating activities during the first quarter of fiscal 2023 was \$(134,772) representing a decrease of \$(859,344) from cash provided of \$724,572 for the respective period during fiscal 2022.

Investing activities

Cash (used in) investing activities during the first quarter of fiscal 2023 was \$(120,495) representing a increase of \$(48,755) in investing activities from cash (used in) investing activities of \$(71,740) in the respective period during fiscal 2022. Cash used in investing activities during the first quarter of fiscal 2023 relates primarily to the purchases of manufacturing equipment and website development.

Financing activities

Cash (used in) financing activities during the first quarter of fiscal 2023 was \$(330,659) representing an increase of \$(68,918) from cash (used in) of \$(261,741) during the respective period in fiscal 2022. Cash used in financing activities during the first quarter of fiscal 2023 relates primarily to the repayment of long-term debt and leases.

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 June 30, 2022 was \$2,572,615 CAD of which \$NIL was in use and a letter of credit in the amount of US\$100,000 (\$128,860 CAD) leaving \$2,443,755 CAD available. The Company through its bank has in place a credit facility of up to \$3,500,000 CAD for the issuance of standby letters of credit and/or letters of guarantee insured by Export Development Corporation ("EDC") Performance Security Guarantee of which \$1,272,506 CAD was in use as at June 30, 2022. 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, 2022 \$634,573 CAD was available (Note 7 Lease obligations). The Company also has in place a term loan of \$1.5 million CAD to assist with the payment obligations to the vendors of the Elmira Stove Works business of which \$1,000,000 was available for use as at June 30, 2022.

The credit facilities referenced above are subject to certain covenants and as at June 30, 2022, the Company is out of covenant with respect to the debt service ratio covenant.

Due to related parties

	June 30, 2022	March 31, 2022
	(unaudited)	(audited)
	\$	\$
Due to senior officers	3,853,285	3,865,785
Dividends payable	60,000	60,000
Due to Targa Group Inc, convertible debentures	247,672	247,672
Due to Tidal Quality Management Inc.	398,116	398,116
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
	5,003,064	5,015,564
Less: current portion	(50,000)	(50,000)
	4,953,064	4,965,564

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

As at June 30, 2022, a balance of \$3,853,285 (\$2,617,651 principal and \$1,235,634 interest); March 31, 2022 - \$3,865,785 (\$2,630,151 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 2023 payments in the amount of \$12,500 were repaid to senior officers. As of June 30, 2022, \$50,000 was classified as current. 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, 2022) of the

dividend remains outstanding as at June 30, 2022. 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, 2022, interest in the amount of \$247,672 (\$247,672 – March 31, 2022)) 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, 2022, a balance of \$398,116 (\$215,227 rent arrears and \$182,889 interest); March 31, 2022 - \$398,116 (\$215,227 rent arrears and \$182,889 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corp. 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, 2022, \$NIL (\$NIL – March 31, 2022) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 – March 31, 2022) outstanding for a balance of \$242,598 (\$242,598 – March 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.

Interest in the amount of \$66,581 (\$66,581 – March 31, 2022) 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, 2022), on a loan from Targa remains outstanding as of June 30, 2022. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Facilities

The Company leases a 135,500 sq. /ft. building at 10 Didak Drive in Arnprior, Ontario and a sales office and showroom in Elmira, ON for the Elmira Stove Works Inc.

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 25, 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 March 31, 2022 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.