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

For the three months ending June 30, 2024 and June 30, 2023

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

PLAINTREE SYSTEMS INC.

For the three months ended June 30, 2024 and June 30, 2023

Date: August 14, 2023

The following discussion and analysis is the responsibility of management and has been reviewed by the Audit Committee of Plaintree Systems Inc ("Plaintree" or the "Company") and approved by the Board of Directors of Plaintree. 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 Plaintree is for the three months ended June 30, 2024 and 2023. 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 14, 2024, 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 Plaintree'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 Plaintree's control, affect the operations, performance and results of Plaintree 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 Plaintree's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the *jurisdictions where Plaintree operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the industry; technological change; currency value fluctuation; general economic conditions worldwide, including in China; Plaintree'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 outside the control of Plaintree, such as COVID, etc. and Plaintree's success in integrating acquired businesses. This list is not exhaustive of the factors that may affect any of Plaintree's forward-looking statements. Plaintree 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 Applied Electronics division, consisting of the Hypernetics division, Summit Aerospace USA Inc. ("Summit Aerospace") and the Elmira Stove Works business, and a Specialty Structures division consisting of the Triodetic business, 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 Elmira Stove Works business manufactures custom vintage-inspired kitchen appliances for the North American consumer market.

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 ended	
	June 30, 2024	June 30, 2023
	(unaudited)	(unaudited)
	$	$
Revenue	**7,283**	7,753
Net earnings (loss) and comprehensive earnings (loss)	**1,126**	665
Net earnings (loss) attributed to common shareholders	**760**	298
Basic and diluted earnings (loss) per share	**0.06**	0.02

($000s, except per share amounts)

	June 30, 2024	March 31, 2024
	(unaudited)	(audited)
	$	$
Total assets	**17,901**	14,985
Total liabilities	**15,881**	14,091
Long-term liabilities	**7,617**	7,851
Cash dividends declared per share	**nil**	nil

Results from Operations

($000s)	Three months ended		
	June 30, 2024	June 30, 2023	Change from
	(unaudited)	(unaudited)	
	$	$	$
Revenue	**7,283**	7,753	(470)
Cost of sales	**4,803**	5,414	(611)
Gross margin	**2,480**	2,339	141
	34%	30%	
Operating expenses:			
Engineering and design	**466**	407	58
Finance and administration	**487**	541	(55)
Sales and marketing	**415**	583	(168)
Bad debts	**16**	-	16
Interest expense	**94**	57	37
(Gain) on foreign exchange	**(1)**	86	(87)
Gain on lease modification	**(122)**	-	(122)
	1,354	1,675	(320)
Net earnings and comprehensive earnings	**1,126**	665	461

Business segment information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments: (i) Applied Electronics - the design, development, manufacture, marketing and support of applied electronic products, and (ii) Specialty Structures - the design, development, manufacture, marketing and support of specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of $4,834,815 (June 30, 2023 - $5,467,222) in property, plant and equipment and Right of Use Asset, building $4,019,672 (June 30, 2023 - $4,492,254) is located in Canada and $815,143 (June 30, 2023 - $974,968) in the United States. All the Company's intangible assets are primarily located in Canada.

Revenue by division

	Three months ending	
	June 30, 2024	June 30, 2023
	(unaudited)	(unaudited)
	$	$
Applied Electronics	**2,313,537**	3,169,247
Specialty Structures	**4,969,247**	4,583,744
	7,282,784	7,752,991

Revenue by geographical location

	Three months ending	
	June 30, 2024	June 30, 2023
	(unaudited)	(unaudited)
	$	$
Canada	**3,364,396**	2,660,167
United States	**2,306,749**	4,753,369
Other	**1,611,639**	339,455
	7,282,784	7,752,991

Net earnings (loss) before taxes by division

	Three months ending	
	June 30, 2024	June 30, 2023
	(unaudited)	(unaudited)
	$	$
Applied Electronics	**100,379**	72,132
Specialty Structures	**1,025,698**	592,738
	1,126,077	664,870

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

	Three months ending	
	June 30, 2024	June 30, 2023
	(unaudited)	(unaudited)
Number of customers	**2**	1
% of total revenue	**22%, 22%**	20%

Assets by division

	June 30, 2024	June 30, 2023
	(unaudited)	(unaudited)
	$	$
Applied Electronics	**9,023,660**	9,855,313
Specialty Structures	**8,877,820**	4,935,452

Intangibles by division

	June 30, 2024	June 30, 2023
	(unaudited)	(unaudited)
	$	$
Applied Electronics	**866,606**	1,379,369
Specialty Structures	**0**	0

Revenues
Total product revenue from ongoing operations for the first three months of fiscal 2025 was $7,282,784 compared to $7,752,991 for the first three months of fiscal 2024.

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

Plaintree's Applied Electronics Division revenues from operations decreased in the first three months of fiscal 2025 to $2,313,537 compared to $3,169,247 in the first three months of fiscal 2024.

Plaintree's Specialty Structures Division revenues from operations increased to $4,969,247 in the first three months of fiscal 2025 from $4,583,744 in the first three months of fiscal 2024.

Gross Margin

Total gross margin rose during the first three months of fiscal 2025, at 34% compared to 30% for fiscal 2024.

Operating Expenses

Engineering and design expenses

Engineering and design expenses were $465,508 and $407,145 for the first three months of fiscals 2025 and 2024, respectively. Engineering and design expenditures consist primarily of development engineering and personnel expenses.

Finance and administration expenses

Finance and administration expenses were $486,588 and $541,107 for the first three months of fiscals 2025 and 2024, respectively. 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 $415,087 and $583,468 for the first three months of fiscals 2025 and 2024, respectively. These expenses consisted primarily of personnel and related costs associated with Company's sales and marketing departments, which include sales commissions, advertising, travel, trade shows and other promotional activities. The decrease is due in part to expenses tied to revenues.

Bad debts

An allowance for doubtful accounts has been created for an account has been setup in the amount of $16,152 ($NIL – 2024) for potentially uncollectable amounts. This relates to a tenant subletting office space who is more than six months in arrears.

Interest expense

Interest expense consists of interest incurred on bank debt. Interest expenses amounted to $94,094 and $56,880 for the first three months of fiscals 2025 and 2024 respectively. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

Gain on foreign exchange

The Company reported a gain on foreign exchange of $(1,014) and a loss of $85,946 in the first three months of fiscals 2025 and 2024, 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 earnings, Comprehensive earnings and Net earnings Attributable to Common Shareholders

Net gain and comprehensive earnings for first three months of fiscal 2025 was $759,578 and Net gain and comprehensive earnings for fiscal 2024 was $298,372. 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, 2024 the accrued and unpaid dividends on the Class A preferred shares were $23,022,500 (June 30, 2023 - $21,556,500).

Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2025, 2024 and 2023:

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

	Jun-30 2024 Q1 2025	Mar-31 2024 Q4 2024	Dec-31 2023 Q3 2024	Sep-30 2023 Q2 2024	Jun-30 2023 Q1 2024	Mar-31 2023 Q4 2023	Dec-31 2022 Q3 2023	Sept 30 2022 Q2 2023
	$	$	$	$	$	$	$	$
Revenue	7,283	6,273	4,857	5,178	7,753	3,397	6,238	4,861
Net earnings (loss) and total comprehensive earnings (loss)	1126	740	(174)	(44)	665	(3335)	831	220
Net (loss) earnings attributed to common shareholders	760	374	(540)	(410)	298	(3,701)	465	(147)
Basic and diluted (loss) earnings per share	0.06	0.03	(0.04)	(0.06)	0.02	(0.29)	0.04	(0.01)

Liquidity and Capital Resources

	June 30, 2024 (unaudited)	March 31, 2024 (audited)	Change
	$	$	$
Cash	**(2,393)**	(1,880)	(513)
Working Capital	**3,936**	3,047	889

	June 30, 2024 (unaudited)	June 30, 2023 (unaudited)	Change
	$	$	$
Net cash provided by (used in) :			
Operating activities	**(248)**	1,284	(1,532)
Investing activities	**(60)**	(38)	(22)
Financing activities	**(206)**	(525)	319

Cash

As at June 30, 2024, the Company had a cash balance of $(2,392,847) a decrease of $(2,016,952) from cash balance of $(375,895) in June 30, 2024. The change is largely due to investments and optimization of the Elmira Stove Works division acquired in 2022 and the build up of inventory to support fulfillment of current orders.

Working Capital

Working capital represents current assets less current liabilities. As at June 30, 2024, the Company had working capital of $3,935,878 compared to a working capital of $(128,026) at June 30, 2023. In fiscal 2023 and through the first three quarters of fiscal 2024 the company was offside on its covenant ratios resulting the reclassification of $2,435,418 of long term debt to current debt, this was not applicable to fiscal 2025.

Operating activities

Cash (used) by operating activities during the first three months of fiscal 2025 was ($247,981) representing a decrease of $(1,531,692) from cash provided of $1,283,711 for the respective period during fiscal 2024. Cash used during the period related to both Inventory and uncollected Receivables.

Investing activities

Cash (used in) investing activities during the first three months of fiscal 2025 was $(59,507) representing a decrease of $(21,916) in investing activities from cash (used in) investing activities of $(37,590) in the respective period during fiscal 2024. Cash used in investing activities during fiscal 2025 relates primarily to the purchases of manufacturing equipment and website development.

Financing activities

Cash (used in) financing activities during the first three months of fiscal 2025 was $(205,822) representing an increase of $319,468 from cash (used in) of $(525,290) during the respective period in fiscal 2024. Cash used in financing activities during the current fiscal year relates primarily to the repayment of long-term debt and leases.

Outlook

The Company has in place a credit facility of up to $4,000,000 CAD through its bank based on acceptable trade receivables and inventory. The total amount available to the Company as at June 30, 2024 was $4,000,000 CAD of which $2,734,515 was in use leaving $1,265,740 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 $3,233,323 CAD was in use as at June 30, 2024. 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, 2024 $793,154 CAD was available (Note 8 Lease obligations). The Company also has in place a term loan of $1.5 million CAD primarily utilized to fund the payment obligations to the vendors of the Elmira Stove Works business of which $NIL was available for use as at June 30, 2024 due to the completion of the acquisition installments.

Due to related parties

	June 30, 2024	March 31, 2024
	(unaudited)	(audited)
	$	$
Due to senior officers	**3,653,093**	3,663,669
Dividends payable	**60,000**	60,000
Due to Targa Group Inc.	**247,672**	247,672
Due to Tidal Quality Management Inc.	**398,388**	398,388
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
	4,803,143	4,813,720
Less: current portion	**(50,000)**	(50,000)
	4,753,143	4,763,720

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

As at June 30, 2024, a balance of $3,653,093 ($2,517,459 principal and $1,135,634 interest); March 31, 2024 - $3,803,093 ($2,567,459 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 2025 payments in the amount of $10,577 were repaid to senior officers. As of June 30, 2024, $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, 2024) of the dividend remains outstanding as at June 30, 2024. 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, 2024, interest in the amount of $247,672 ($247,672 – March 31, 2024) 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, 2024, a balance of $398,388 rent arrears consist of $215,227 from March 31 2022 and $182,888 interest); March 31, 2024 - $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, 2024, $NIL ($NIL – March 31, 2024) remained outstanding on the line of credit with accumulated interest of $242,598 ($242,598 – March 31, 2024) outstanding for a balance of $242,598 ($242,598 – March 31, 2024). 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, 2024) 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, 2024), on a loan from Targa remains outstanding as of June 30, 2024. 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 or payable to Tidal Quality Management Corporation during the three months ended June 30, 2024, totaled $286,173 ($159,043 – March 31, 2024). 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 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 14, 2024 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 June 30, 2024 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.sedarplus.ca or the Company's website at www.plaintree.com.