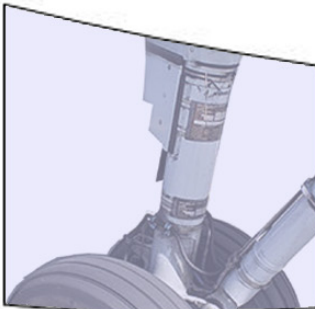




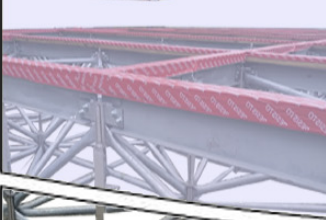
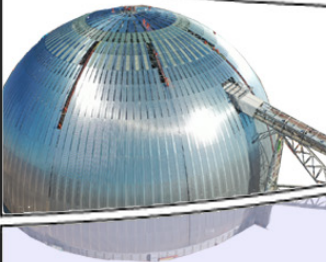
# PLAINTREE

SUMMIT



HYPERNETICS

TRIODETTIC



SPOTTON



ELMIRA

Q1-2025

For the three months ending  
June 30, 2024

**“Notice to Reader”**

The accompanying unaudited interim financial statements of Plaintiff Systems Inc. for the three months ended June 30, 2024 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 15, 2024

“David Watson”

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David Watson  
CEO

**Plaintree Systems Inc.**

Consolidated statements of financial position

(unaudited)

(in Canadian dollars)

	June 30, 2024	March 31, 2024
	\$	\$
<b>Assets</b>		
Current assets		
Trade receivables and other receivables	4,935,386	2,842,969
Unbilled revenue	2,100,034	2,004,995
Taxes receivable	60,562	59,956
Inventories (Note 3)	4,642,402	3,939,972
Prepaid expenses and other receivables	184,909	160,288
Current portion of mortgage receivable (Note 4)	276,766	278,305
	12,200,059	9,286,485
Property, plant and equipment (Note 8)	4,834,815	4,806,300
Intangible assets (Note 9)	866,606	891,842
	17,901,480	14,984,627
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness	2,392,847	1,879,537
Trade and other payables	3,452,882	2,266,957
Deferred revenue	703,400	406,038
Current portion of long-term debt and lease obligation (Note 5, 6)	1,582,137	1,554,801
Current portion of due to related parties (Note 10)	50,000	50,000
Current portion of government assistance (Note 7)	82,914	81,825
	8,264,181	6,239,158
Long-term debt and lease obligation (Note 5, 6)	2,592,111	2,801,051
Deferred government assistance (Note 7)	271,886	286,616
Due to related parties (Note 10)	4,753,143	4,763,720
	15,881,320	14,090,545
<b>Shareholders' equity</b>		
Issued capital	2	2
Contributed surplus	2,159,842	2,159,842
	(139,685)	(1,265,763)
	2,020,159	894,081
	17,901,480	14,984,627

Approved by the Board

"David Watson""Girvan Patterson"

**Plaintree Systems Inc.**

Consolidated statements of comprehensive earnings

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

(unaudited)

(in Canadian dollars)

	Three months ended	
	June 30, 2024	June 30, 2023
	\$	\$
Revenue	7,282,784	7,752,991
Cost of sales	4,802,587	5,413,571
Gross margin	2,480,197	2,339,420
Operating expenses		
Engineering and design	465,508	407,145
Finance and administration	486,588	541,107
Sales and marketing	415,087	583,468
Bad debts	16,152	-
Interest expense	94,094	56,880
(Gain)/Loss on foreign exchange	(1,014)	85,946
	1,476,415	1,674,547
Net earnings (loss) before income taxes and other income/expenses	1,003,782	664,873
Gain on lease modification	(122,296)	-
Net earnings (loss) and comprehensive earnings	1,126,078	664,873
Basic and diluted (loss) per common share (Note 12)	0.06	0.02
Weighted average common shares outstanding	12,925,253	12,925,253

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

Approved by the Board

"David Watson""Girvan Patterson"

**Plaintree Systems Inc.**

Consolidated statements of cash flows

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

(unaudited)

(in Canadian dollars)

	Three months ended	
	June 30, 2024	June 30, 2023
	\$	\$
Operating activities		
Comprehensive earnings	1,126,078	664,872
Add (deduct) items not affecting cash:		
Depreciation of intangible assets	44,099	48,624
Depreciation of property, plant and equipment	383,092	329,412
Bad debts	16,152	-
Gain on lease modification	(122,296)	-
Write-down of inventory	6,562	-
Changes in non-cash operating working capital items		
Deferred revenue	297,362	(1,014,548)
Inventories	(708,992)	370,113
Prepaid expenses and other receivables	(24,621)	(38,927)
Trade and other payables	937,258	113,100
Trade and other receivables	(2,109,175)	359,608
Unbilled revenue	(95,039)	450,009
Mortgage receivable	1,539	1,448
Cash (used) provided by operations	(247,981)	1,283,711
Investing activities		
Payments to acquire intangible assets	(18,618)	-
Payments to acquire property, plant and equipment	(40,889)	(37,590)
Cash (used) in investing activities	(59,507)	(37,590)
Financing activities		
Repayment of government assistance	(13,641)	(25,989)
Repayment of long-term debt	(104,704)	(414,708)
Proceeds from financing	-	145,640
Repayment of capital lease and right of use obligations	(76,901)	(217,733)
Repayment of related party borrowings (Note 10)	(10,577)	(12,500)
Cash (used) in financing activities	(205,822)	(525,290)
Net cash outflow	(513,310)	720,831
Net cash (beginning of the year)	(1,879,537)	(1,096,730)
Net cash, end of the period	(2,392,847)	(375,899)

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

Approved by the Board

"David Watson""Girvan Patterson"

**PLAINTREE SYSTEMS INC.**

Consolidated Statement of changes in equity

for the periods ended June 30, 2024 and June 30, 2023

(unaudited)

(in Canadian dollars)

	Common Shares Number	Issued Capital	Preferred Shares (1) Number	Issued Capital	Contributed Surplus	Retained earnings (deficit)	Shareholders' Equity
Balances at April 1, 2024	12,925,253	\$ 1	18,325	\$ 1	\$ 2,159,842	\$ (1,265,763)	\$ 894,081
Net earnings and comprehensive earnings						1,126,078	1,126,078
Balances at June 30, 2024	12,925,253	1	18,325	1	2,159,842	(139,685)	2,020,159
		\$		\$	\$	\$	\$
Balances at April 1, 2023	12,925,253	1	18,325	1	2,159,842	(2,337,669)	(177,825)
Net earnings and comprehensive earnings						664,873	664,873
Balances at June 30, 2023	12,925,253	1	18,325	1	2,159,842	(1,672,795)	487,047

(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 three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

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### 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 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 and Spotton Corporation. The Hypernetics business manufactures avionics 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.

### 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 14, 2024. 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, 2024.

#### (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, 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.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

### 3. Inventories

	<b>June 30, 2024</b>	<b>March 31, 2024</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	\$	\$
Raw materials	<b>3,980,530</b>	<b>3,245,735</b>
Work in process	<b>621,182</b>	<b>644,843</b>
Finished goods	<b>40,690</b>	<b>49,394</b>
	<b>4,642,402</b>	<b>3,939,972</b>

The cost of inventories recognized as an expense during the three months ending June 30, 2024, was \$4,787,235 (\$5,413,571 – June 30, 2023). The total carrying value of inventory as at June 30, 2024, 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 \$6,562 during the first three months of fiscal 2025 (\$NIL in the first three months of fiscal 2024) to reflect where the carrying amount exceeded net realizable value. The Company had write ups totaling \$7,236 in the first three months of fiscal 2025 (\$54,165 in the first three months of fiscal 2024).

### 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 prior to the sale. The gain on sale was \$283,068. The remaining mortgage payments are as follows:

	\$
	<u>          </u>
2025	<u>276,766</u>
Net mortgage receipts	<u>276,766</u>



# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

### 5. Long-term debt

	June 30, 2024 (unaudited)	March 31, 2024 (audited)
Non-revolving loan payable (\$172,944 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.	0	9,528
Non-revolving loan payable in monthly installments of principal, \$12,531.33 at a rate of prime + 1%, secured by general security agreement, maturing March 2027.	1,134,757	1,193,450
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.	321,909	364,168
Deferred financing fees	(58,483)	(64,260)
	<b>1,398,182</b>	1,502,886
Current portion	<b>(422,059)</b>	(426,685)
	<b>976,123</b>	1,076,201

Long-term debt excluding the contingent purchase consideration and US financial institution loans totaling \$1,456,665 are subject to certain bank covenants which the Company was in compliance with.

### 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 the second quarter of Fiscal 2022, the Company entered into a 5 year office lease agreement with a related party. During the first quarter of fiscal 2025, this lease was modified to a two year lease modifying the existing 5 year building lease. 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, 2024:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2025	478,546	628,201	1,106,747
Fiscal 2026	436,024	813,000	1,249,024
Fiscal 2027	683,078	-	683,078
Thereafter	-	-	-
Total future minimum lease payments	1,597,648	1,441,201	3,038,849
Inputed interest	(177,076)	(85,707)	(262,783)
Total lease liabilities	1,420,572	1,355,494	2,776,066
Less: current portion	(397,314)	(762,764)	(1,160,078)
Non-current portion	1,023,259	592,729	1,615,988

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

### 6. Lease Obligation – Cont'd

Included in the factory equipment leases are leases with a cost of \$1,030,222 that are subject to certain bank covenants which the company was in compliance with as of June 30, 2024.

### 7. Government assistance

The Company's Summit Aerospace USA Inc. business accepted a loan of \$720,000 USD (\$899,712 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
	(audited)	(audited)	(audited)
	\$	\$	\$
Opening Balance	341,799	26,641	368,440
Loan adjustment for exchange	3,456	269	3,725
Repayments	(17,365)		(17,365)
Accretion	13,573	(13,573)	-
June 30, 2024	341,462	13,338	354,800
Current Portion	(70,117)	(12,797)	(82,914)
Balance	271,345	541	271,886

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 were both repaid prior to the January 18, 2024 deadline.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

### 8. Property, plant and equipment, right of use assets

	Factory equipment	Computer equipment	Furniture	Vehicles	Lease improvements	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost, balance								
<b>March 31, 2023</b>	<b>13,424,268</b>	<b>1,170,423</b>	<b>202,313</b>	<b>421,086</b>	<b>2,313,010</b>	<b>3,933,069</b>	<b>124,557</b>	<b>21,588,726</b>
Additions	495,822	8,927	-	12,000	33,598	-	-	550,347
Disposals	(117,895)	(213,778)	-	(9,562)	-	-	-	(341,235)
<b>March 31, 2024</b>	<b>13,802,194</b>	<b>965,572</b>	<b>202,313</b>	<b>423,524</b>	<b>2,346,608</b>	<b>3,933,069</b>	<b>124,557</b>	<b>21,797,837</b>
Additions	3,179	-	-	-	37,710	370,964	-	411,853
Disposals	-	-	-	(11,984)	-	-	-	(11,984)
<b>June 30, 2024</b>	<b>13,805,373</b>	<b>965,572</b>	<b>202,313</b>	<b>411,540</b>	<b>2,384,318</b>	<b>4,304,033</b>	<b>124,557</b>	<b>22,197,706</b>
Depreciation, balance								
<b>March 31, 2023</b>	<b>(10,976,069)</b>	<b>(1,150,198)</b>	<b>(202,313)</b>	<b>(420,614)</b>	<b>(1,582,829)</b>	<b>(1,643,296)</b>	<b>-</b>	<b>(15,975,320)</b>
Depreciation	(487,809)	(11,966)	-	(2,473)	(154,809)	(660,452)	-	(1,317,509)
Disposal	77,952	213,778	-	9,562	-	-	-	301,292
<b>March 31, 2024</b>	<b>(11,385,926)</b>	<b>(948,386)</b>	<b>(202,313)</b>	<b>(413,526)</b>	<b>(1,737,638)</b>	<b>(2,303,748)</b>	<b>-</b>	<b>(16,991,538)</b>
Depreciation	(118,751)	(3,105)	-	(750)	(31,222)	(229,509)	-	(383,338)
Disposal	-	-	-	11,984	-	-	-	11,984
<b>June 30, 2024</b>	<b>(11,504,677)</b>	<b>(951,492)</b>	<b>(202,313)</b>	<b>(402,292)</b>	<b>(1,768,861)</b>	<b>(2,533,257)</b>	<b>-</b>	<b>(17,362,892)</b>
Carrying amount,								
<b>June 30, 2024</b>	<b>2,300,696</b>	<b>14,081</b>	<b>(0)</b>	<b>9,249</b>	<b>615,458</b>	<b>1,770,776</b>	<b>124,557</b>	<b>4,834,815</b>
<b>March 31, 2024</b>	<b>2,416,268</b>	<b>17,186</b>	<b>(0)</b>	<b>9,999</b>	<b>608,970</b>	<b>1,629,321</b>	<b>124,557</b>	<b>4,806,300</b>

Included in factory equipment are right of use assets with a cost of \$2,717,337 and accumulated amortization of \$720,324 (March 31, 2024 - cost of \$3,088,301 and accumulated amortization of \$863,613) and included in building are right of use assets with a cost of \$3,296,249 and accumulated depreciation of \$1,829,601 (March 31, 2024 - cost of \$2,925,285 and accumulated depreciation of \$1,616,841). Refer to Note 6 for a breakdown of the Company's lease obligations.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

### 9. Intangibles

	Brand	Goodwill	Software	Customer Relationship and Non-compete	Total
Cost, balance					
			\$	\$	\$
<b>March 31, 2023</b>	<b>655,000</b>	<b>186,816</b>	<b>449,719</b>	<b>616,000</b>	<b>1,907,538</b>
Additions	-	-	18,590	-	18,590
Impairment	(89,249)	(186,816)	-	(83,935)	(360,000)
Disposals	-	-	(104,758)	-	(104,758)
<b>March 31, 2024</b>	<b>565,751</b>	<b>-</b>	<b>363,551</b>	<b>532,065</b>	<b>1,461,367</b>
Additions	-	-	18,618	-	18,618
Disposals	-	-	-	-	-
<b>June 30, 2024</b>	<b>565,751</b>	<b>-</b>	<b>382,169</b>	<b>532,065</b>	<b>1,479,985</b>
Accumulated Depreciation, balance					
<b>March 31, 2023</b>	<b>(65,500)</b>	<b>-</b>	<b>(352,444)</b>	<b>(61,600)</b>	<b>(479,544)</b>
Depreciation	(65,500)	-	(67,886)	(61,600)	(194,986)
Disposals	-	-	104,759	-	104,759
<b>March 31, 2024</b>	<b>(131,000)</b>	<b>-</b>	<b>(315,325)</b>	<b>(123,200)</b>	<b>(569,526)</b>
Depreciation	(14,144)	-	(16,653)	(13,302)	(44,099)
Disposals	-	-	-	-	-
<b>June 30, 2024</b>	<b>(145,144)</b>	<b>-</b>	<b>(331,734)</b>	<b>(136,502)</b>	<b>(613,379)</b>
Carrying amount,					
<b>June 30, 2024</b>	<b>420,607</b>	<b>-</b>	<b>50,435</b>	<b>395,563</b>	<b>866,606</b>
<b>March 31, 2024</b>	<b>434,751</b>	<b>-</b>	<b>48,226</b>	<b>408,865</b>	<b>891,842</b>

The Company has five intercompany Cash Generating Units (CGUs): Triodetic, Spotton, Elmira Stove Works, Hypernetics and Summit Aerospace USA. Elmira Stove Works manufactures custom vintage-inspired kitchen appliances for the North American consumer market. The goodwill carrying value is allocated to the Elmira Stove Works CGU, and the Applied Electronics operating segment.

In fiscal 2024, Management reviewed the recoverable amount of goodwill and intangible assets for the CGU, Elmira Stove Works. Management determined that an impairment charge was required to write off goodwill of \$186,816 with an additional impact on intangible assets of \$89,249 on Brand and \$83,935 on Customer Relationship for a combined \$360,000 impairment. The recoverable amount was assessed by a value in use assessment as the fair value less costs of disposal calculation was expected to provide similar results when using a discounted cash flow model. The recoverable amount of the CGU amounted to \$2,469,398 as at March 31, 2024.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

### 10. Due to related parties

	<b>June 30, 2024</b>	<b>March 31, 2024</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	\$	\$
Due to senior officers	<b>3,653,093</b>	3,663,669
Dividends payable	<b>60,000</b>	60,000
Due to Targa Group Inc.	<b>247,672</b>	247,672
Due to Tidal Quality Management Inc.	<b>398,388</b>	398,388
Due to Targa Group Inc, line of credit interest	<b>242,598</b>	242,598
Due to Targa Group Inc, demand loan interest	<b>201,393</b>	201,393
	<b>4,803,143</b>	4,813,720
Less: current portion	<b>(50,000)</b>	(50,000)
	<b>4,753,143</b>	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 - \$3,663,669 (\$2,528,036 principal and \$1,135,634 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 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, 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 (\$215,500 rent arrears and \$182,888 interest); (March 31, 2024 - \$398,388 (\$215,500 rent arrears and \$182,888 interest)) remained owing to Tidal Quality Management Corp., a related party controlled by Targa. 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.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

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### 10. Due to related parties – Cont'd

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.

### 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 June 30, 2024, the accrued and unpaid dividends on Class A preferred shares were \$23,022,500 (\$22,656,000 – March 31, 2024).

#### *Stock option plans*

Stock options

Under the Company's Stock Option Plan, the Company is authorized to issue up to 1,200,000 stock options to acquire common shares of the Company to its employees, officers, directors or consultants.

Stock options to purchase common shares issued from treasury 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.

As at June 30, 2024 there are options to acquire 880,000 common shares outstanding and exercisable at an exercise price of \$0.11. All of the outstanding options are completely vested.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

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### 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, 2024 and June 30, 2023, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options and convertible instruments.

	Three months ending	
	June 30, 2024 (unaudited) \$	June 30, 2023 (unaudited) \$
Net profit/(loss) from operations	1,126,078	664,873
Cumulative dividends on preferred shares - per annum	(366,500)	(366,500)
Net (loss) attributed to common shares (basis and diluted)	759,578	298,373
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from operations	0.06	0.02

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (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: (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 (unaudited)	June 30, 2023 (unaudited)
	\$	\$
Applied Electronics	2,313,537	3,169,247
Specialty Structures	4,969,247	4,583,744
	<b>7,282,784</b>	7,752,991

#### Revenue by geographical location

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

#### Net earnings (loss) before taxes by division

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

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

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



# Plaintree Systems Inc.

## Notes to the consolidated financial statements

For the three months ended June 30, 2024 and June 30, 2023 (unaudited)

(In Canadian dollars)

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### *Assets by division*

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

### *Intangibles by division*

	<b>June 30, 2024</b>	June 30, 2023
	<b>(unaudited)</b>	(unaudited)
	\$	\$
Applied Electronics	<b>866,606</b>	1,379,369
Specialty Structures	<b>0</b>	0

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

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## **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 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, 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 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*

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

*jurisdictions where Plaintiff 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; 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 outside the control of Plaintiff, such as COVID, etc. and Plaintiff's success in integrating acquired businesses. 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 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

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

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**Results from Operations**

(\$000s)	Three months ended		Change from
	June 30, 2024	June 30, 2023	
	(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 (unaudited)	June 30, 2023 (unaudited)
	\$	\$
Applied Electronics	2,313,537	3,169,247
Specialty Structures	4,969,247	4,583,744
	<b>7,282,784</b>	7,752,991

### Revenue by geographical location

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

### Net earnings (loss) before taxes by division

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

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

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

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

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*Assets by division*

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

*Intangibles by division*

	<b>June 30, 2024</b> <b>(unaudited)</b>	June 30, 2023 <b>(unaudited)</b>
	\$	\$
Applied Electronics	<b>866,606</b>	1,379,369
Specialty Structures	<b>0</b>	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).

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

### Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 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

	<b>June 30, 2024</b>	<b>March 31, 2024</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	\$	\$
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
	<b>4,803,143</b>	4,813,720
Less: current portion	<b>(50,000)</b>	(50,000)
	<b>4,753,143</b>	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](http://www.sedarplus.ca) or the Company's website at [www.plaintree.com](http://www.plaintree.com).

# Plaintree Systems Inc.

## Board of Directors

**Jerry S. Vickers, Board Chair**  
Financial/Business Consultant

**W. David Watson II**  
President & Chief Executive Officer

**Girvan L. Patterson, Audit Committee Chair**  
Business Consultant

**Sean T. Watson**  
V.P. Operations, Spotton Corporation

## Executives and Officers

**W. David Watson II**  
President & Chief Executive Officer

**Robert W. Turley**  
Chief Financial Officer

## Principal Office

10 Didak Drive  
Arnprior, ON, Canada K7S 0C3  
Telephone: (613) 623-3434  
Facsimile: (613) 623-9497

Website: <http://www.plaintree.com>

## Auditors

**Welch LLP**  
Ottawa, ON, Canada

## Transfer Agent

**Computershare Investor Services Inc**  
100 University Ave., 8<sup>th</sup> Floor  
Toronto, ON, Canada M5J 2Y1

## Corporate Secretary

**Gary Jessop**  
Partner  
Jessop & Proulx LLP  
Ottawa, ON, Canada

## Legal Counsel

**Jessop & Proulx LLP**  
Ottawa, ON, Canada

## Stock Exchange Listings

CSE: NPT