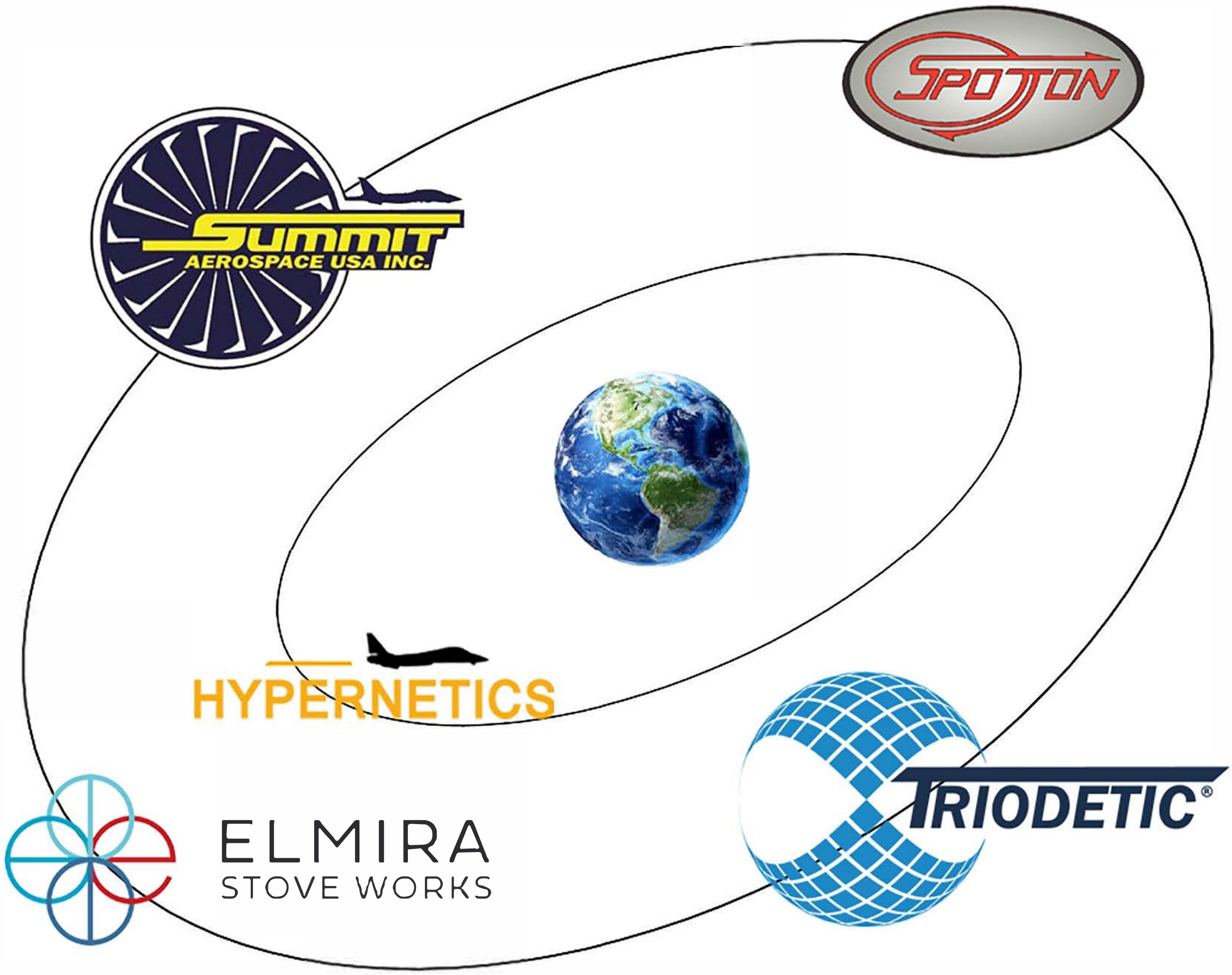
PLAINTREE



Q3-2024

For the nine months ending December 31, 2023

“Notice to Reader”

The accompanying unaudited interim financial statements of Plaintree Systems Inc. for the three months ended December 31, 2023 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company’s external auditors.

Date: February 22, 2024

“David Watson”

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David Watson
CEO

Plaintree Systems Inc.

Consolidated statements of financial position

(unaudited)

(in Canadian dollars)

	December 31, 2023	March 31, 2023
	$	$
Assets		
Current assets		
Trade receivables and other receivables	**2,942,922**	2,577,668
Unbilled revenue	**1,895,265**	2,021,161
Taxes receivable	**58,522**	41,947
Inventories (Note 3)	**4,473,503**	4,005,890
Prepaid expenses and other receivables	**149,933**	155,528
Current portion of mortgage receivable (Note 5)	**23,033**	5,926
	9,543,178	8,808,121
Long-term portion of mortage receivable (Note 5)	**256,787**	278,305
Property, plant and equipment (Note 8)	**3,469,167**	3,710,836
Right of use asset, building (Note 8)	**1,456,975**	1,902,569
Intangible assets (Note 9)	**1,095,305**	1,241,177
Goodwill (Note 9)	**186,816**	186,816
	16,008,228	16,127,824
Liabilities		
Current liabilities		
Bank Indebtedness	**1,853,613**	1,096,730
Trade and other payables	**2,309,635**	2,070,944
Deferred revenue	**1,696,666**	1,547,343
Current portion of long-term debt and lease obligation (Note 5, 6)	**3,525,372**	4,768,034
Current portion of due to related parties (Note 10)	**50,000**	50,000
Current portion of government assistance (Note 7)	**159,616**	160,694
	9,594,902	9,693,746
Long-term debt and lease obligation (Note 5, 6)	**1,069,097**	1,340,841
Deferred government assistance (Note 7)	**296,826**	355,419
Due to related parties (Note 10)	**4,778,143**	4,915,643
	15,738,967	16,305,648
Shareholders' equity		
Issued capital	**2**	2
Contributed surplus	**2,159,842**	2,159,842
	(1,890,584)	(2,337,669)
	269,260	(177,825)
	16,008,228	16,127,824

Approved by the Board

"David Watson"

"Girvan Patterson"

Plaintree Systems Inc.

Consolidated statements of comprehensive earnings

For the three and nine months ended December 31, 2023 and December 31, 2022

(unaudited)

(in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	$	$	**$**	$
Revenue	**4,857,244**	6,238,193	**17,788,121**	16,545,490
Cost of sales	**3,362,621**	3,824,260	**12,326,063**	11,124,318
Gross margin	**1,494,623**	2,413,932	**5,462,058**	5,421,171
Operating expenses				
Research and development	**510,067**	436,214	**1,319,354**	1,221,743
Finance and administration	**495,996**	393,937	**1,619,067**	1,244,995
Sales and marketing	**468,364**	509,278	**1,644,253**	1,319,127
Bad debts	**(37,582)**	-	**-**	-
Loss on disposal of assets	**-**	-	**22,867**	-
Interest expense	**60,897**	208,135	**208,860**	327,791
Loss (Gain) on foreign exchange	**170,801**	35,461	**200,572**	(82,527)
	1,668,543	1,583,025	**5,014,973**	4,031,130
Net earnings (loss) before income taxes	**(173,920)**	830,907	**447,085**	1,390,041
Net earnings (loss) and comprehensive earnings	**(173,920)**	830,907	**447,085**	1,390,041
Basic and diluted (loss) per common share (Note 12)	**(0.04)**	0.04	**(0.05)**	0.02
Weighted average common shares outstanding	**12,925,253**	12,925,253	**12,925,254**	12,925,254

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 and nine months ended December 31, 2023 and December 31, 2022

(unaudited)

(in Canadian dollars)

	Nine months ended	
	December 31, 2023	December 31, 2022
	$	$
Operating activities		
Comprehensive earnings	447,085	1,390,041
Add (deduct) items not affecting cash:		
Depreciation of intangible assets	146,117	137,037
Depreciation of property, plant and equipment	975,270	1,014,225
(Gain)/Loss on disposal of assets	22,867	-
Write-down of inventory	12,614	32,416
Changes in non-cash operating working capital items		
Deferred revenue	149,323	(82,633)
Inventories	(480,227)	(1,531,487)
Prepaid expenses and other receivables	5,595	45,995
Trade and other payables	238,691	(92,586)
Trade and other receivables	(381,829)	(651,525)
Unbilled revenue	125,896	(1,144,807)
Mortgage receivable	4,411	3,681
Cash (used) provided by operations	1,265,813	(879,643)
Investing activities		
Payments to acquire intangible assets	-	(129,789)
Payments to acquire property, plant and equipment	(165,482)	(597,604)
Cash (used) in investing activities	(165,482)	(727,394)
Financing activities		
Repayment of government assistance	(59,671)	(11,254)
Repayment of long-term debt	(958,026)	(554,922)
Proceeds from financing	-	-
Repayment of capital lease obligations	(702,018)	(642,000)
Repayment of related party borrowings (Note 10)	(137,500)	114,744
Cash (used) in financing activities	(1,857,215)	(1,093,433)
Net cash outflow	(756,883)	(2,700,470)
Net cash (beginning of the year)	(1,096,730)	1,911,201
Net cash, end of the period	(1,853,613)	(789,269)

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 December 31, 2023 and December 31, 2022

(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, 2023	12,925,253	1	18,325	1	2,159,842	(2,337,669)	(177,825)
Net earnings and comprehensive earnings						447,085	447,085
Balances at December 31, 2023	12,925,253	1	18,325	1	2,159,842	(1,890,584)	269,260

	Common Shares Number	Issued Capital	Preferred Shares (1) Number	Issued Capital	Contributed Surplus	Retained earnings (deficit)	Shareholders' Equity
		$		$	$	$	$
Balances at April 1, 2022	12,925,253	1	18,325	1	2,159,842	(392,729)	1,767,115
Net earnings and comprehensive earnings						1,390,041	1,390,041
Balances at December 31, 2022	12,925,253	1	18,325	1	2,159,842	997,312	3,157,156

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 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. The proceeds from the $1.5 million term loan were primarily used to fund the payment of the purchase price to the vendors of Elmira Stove Works and related transaction and implementation costs.

In April 2022, the Elmira Stove Works 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 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, Arnprior, Ontario.

2. Basis of presentation

(a) *Statement of compliance*

The condensed consolidated unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved for issue by the Board of Directors on February 22, 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, 2023.

(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.

(In Canadian dollars)

(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.

(d) Going Concern

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2023 the Company had an accumulated deficit of $2,337,669 (December 31, 2023 - $1,890,584) and, for the period then ended, the Company incurred a total comprehensive loss of $1,944,940 (December 31,2023 gain of - $447,085). As at March 31, 2023, the Company was offside on its bank borrowing covenants, and as a result, it has had to include $3,112,488 of payments previously classified as long term debt as a current liability. This resulted in working capital being reduced by $3,112,488 which caused working capital to fall to negative $885,624 with no cash on hand. As of December 31, 2023, the Company remains offside its bank covenants and closed the quarter with working capital of negative $51,724 and no cash on hand. The Company has in place a credit facility of up to $4,000,000 through its bank based on acceptable trade receivables and inventory. The amount outstanding as at December 31, 2023 is $2,100,426 (March 31, 2023 is $1,488,681) which includes a letter of credit in the amount of $100,000 USD. The Company's analysis of forecasted sales and expenses indicate improvement in both sales and cash flow as a result of contracts bid and/or signed and their expected margins on these projects. As a result, the Company believes that it has sufficient cash resources to meet its obligations. However, should (i) the Company's bank credit facility fail to be available or fail to have sufficient availability to meet the Company's cash requirements; (ii) forecasts fall short of expectations in one or more of the Company's divisions; and/or (iii) an unprofitable event occurs, which is unanticipated, this will impact the Company's ability to generate sufficient cash to meet its requirements and its ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. Such adjustments, if required, may be material.

3. Inventories

	December 31, 2023	March 31, 2023
	(unaudited)	(unaudited)
	$	$
Raw materials	3,741,108	3,252,570
Work in process	683,102	665,022
Finished goods	49,293	88,299
	4,473,503	4,005,890

The cost of inventories recognized as an expense during the nine months ending December 31, 2023, was $12,326,063 ($11,124,318 – December 31, 2022). The total carrying value of inventory as at December 31, 2023, 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 $12,614 during the first nine months of fiscal 2024 ($54,778 in the first nine months of fiscal 2023) to reflect where the carrying amount exceeded net realizable value.

(In Canadian dollars)

The Company had write ups totaling $56,799 in the first nine months of fiscal 2024 ($57,497 in the first nine months of fiscal 2023).

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:

	$
2024	1,515
2025	278,305
Net mortgage receipts	279,820

5. Long-term debt

	December 31, 2023 (unaudited)	31-Mar-23 (unaudited)
	$	$
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.	24,156	94,726
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.	47,706	161,609
Promissory notes	-	500,000
Contingent purchase consideration	110,064	636,993
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.	1,252,144	901,629
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.	406,044	515,871
Non-revolving loan payable in monthly blended installments of principal and interest, $2,354, at a rate of 6.250%, secured by general security agreement, maturing April 2028.	140,991	-
Deferred financing fees	(70,038)	(87,370)
	1,911,069	2,723,457
Current portion	(1,737,506)	(2,723,457)
	173,563	-

Long-term debt excluding the contingent purchase consideration and US financial institution loans totaling $1,730,052 are subject to certain bank covenants which the Company was not in compliance with as of

(In Canadian dollars)

December 31, 2023. As a result, $1,219,603 that would normally be considered long-term debt has been reclassified as current.

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. 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 December 31, 2023:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2024 remaining	332,275	158,424	490,699
Fiscal 2025	255,836	634,352	890,188
Fiscal 2026	263,865	609,750	873,615
Fiscal 2027	347,577	152,438	500,015
Thereafter	-	-	-
Total future minimum lease payments	1,199,553	1,554,964	2,754,517
Inputed interest	(2,656)	(68,461)	(71,117)
Total lease liabilities	1,196,897	1,486,503	2,683,400
Less: current portion	(1,196,897)	(590,969)	(1,787,866)
Non-current portion	-	895,534	895,534

Included in the factory equipment leases are leases with a cost of $1,196,897 that are subject to certain bank covenants which the company was not in compliance with as of December 31, 2023. As a result, $870,056 of such amount is included in the current portion of long-term debt.

(In Canadian dollars)

7. Government assistance

The Company's Summit Aerospace USA Inc. business accepted a loan of $720,000 USD ($986,904 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	398,907	37,206	436,113
Loan adjustment for exchange	(8,872)	(844)	(9,716)
Repayments	(49,964)		(49,964)
Accretion	8,185	(8,185)	-
December 31, 2023	348,258	28,177	376,433
Current Portion	(67,249)	(12,366)	(79,616)
Balance	281,008	15,811	296,817

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.

(In Canadian dollars)

8. Property, plant and equipment

	Factory equipment	Computer equipment	Furniture	Vehicles	Lease improvements	Building	Land	Total
	$	$	$	$	$	$	$	$
Cost, balance								
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	912,983	10,888	-	-	465,812	68,008	-	1,457,691
Disposals	(15,000)	-	-	-	-	-	-	(15,000)
March 31, 2023	**10,908,499**	**1,121,659**	**202,313**	**367,390**	**2,313,010**	**3,933,069**	**124,557**	**18,970,499**
Additions	260,342	4,937	-	12,000	33,598	-	-	310,877
Disposals	(49,000)	-	-	-	-	-	-	(49,000)
December 31, 2023	**11,119,840**	**1,126,596**	**202,313**	**379,390**	**2,346,608**	**3,933,069**	**124,557**	**19,232,375**
Depreciation, balance								
March 31, 2022	**(7,969,726)**	**(1,085,683)**	**(202,313)**	**(363,186)**	**(1,463,237)**	**(967,635)**	**-**	**(12,051,781)**
Depreciation	(495,824)	(15,751)	-	(3,733)	(119,592)	(675,661)	-	(1,310,561)
Disposal	5,250	-	-	-	-	-	-	5,250
March 31, 2023	**(8,460,300)**	**(1,101,434)**	**(202,313)**	**(366,919)**	**(1,582,829)**	**(1,643,296)**	**-**	**(13,357,091)**
Depreciation	(352,803)	(8,878)	-	(1,722)	(117,717)	(494,149)	-	(975,270)
Disposal	26,133	-	-	-	-	-	-	26,133
December 31, 2023	**(8,786,970)**	**(1,110,313)**	**(202,313)**	**(368,641)**	**(1,700,546)**	**(2,137,445)**	**-**	**(14,306,228)**
Carrying amount,								
December 31, 2023	**2,332,870**	**16,283**	**(0)**	**10,749**	**646,063**	**1,795,621**	**124,557**	**4,926,142**
March 31, 2023	**2,448,199**	**20,224**	**(0)**	**471**	**730,182**	**2,289,773**	**124,557**	**5,613,405**

Included in factory equipment are right of use assets with a cost of $3,101,660 and accumulated amortization of $1,207,893 (March 31, 2023 - cost of $2,991,661 and accumulated amortization of $1,992,026) and included in building are right of use assets with a cost of $2,925,285 and accumulated depreciation of $1,468,310 (March 31, 2023 – cost of $2,925,285 and accumulated depreciation of $1,022,716). Refer to Note 6 for a breakdown of the Company’s lease obligations.

(In Canadian dollars)

9. Intangibles

		Brand	Goodwill	Software	Customer Relationship and Non-compete	Total
Cost, balance				$	$	$
March 31, 2022		**655,000**	**853,302**	**192,175**	**1,929,270**	**3,629,747**
	Additions			257,546		257,546
	Impairment		(666,486)			(666,486)
	Disposals				(1,313,270)	(1,313,270)
March 31, 2023		**655,000**	**186,816**	**449,721**	**616,000**	**1,907,537**
	Additions	-	-	245	-	245
	Disposals	-	-	-	-	-
December 31, 2023		**655,000**	**186,816**	**449,966**	**616,000**	**1,907,782**
Accumulated Depreciation, balance						
March 31, 2022		**-**	**-**	**(171,822)**	**(1,313,270)**	**(1,485,092)**
	Depreciation	(65,500)	-	(180,622)	(61,600)	(307,722)
	Disposals				1,313,270	1,313,270
March 31, 2023		**(65,500)**	**-**	**(352,444)**	**(61,600)**	**(479,544)**
	Depreciation	(49,125)	-	(51,037)	(46,200)	(146,362)
	Disposals	-	-	-	-	-
December 31, 2023		**(114,625)**	**-**	**(403,236)**	**(107,800)**	**(625,661)**
Carrying amount,						
December 31, 2023		**540,375**	**186,816**	**46,730**	**508,200**	**1,282,121**
March 31, 2023		**589,500**	**186,816**	**97,277**	**554,400**	**1,427,993**

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 Canadian dollars)

10. Due to related parties

	December 31, 2023 (unaudited)	March 31, 2023 (audited)
	$	$
Due to senior officers	**3,678,093**	3,815,593
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
	4,828,143	4,965,643
Less: current portion	**(50,000)**	(50,000)
	4,778,143	4,915,643

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

As at December 31, 2023, a balance of $3,678,093 ($2,542,459 principal and $1,135,634 interest); (March 31, 2023 - $3,815,593 ($2,579,959 principal and $1,235,634 interest)) remained owing to senior officers of the Company. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During the first nine months of fiscal 2024 payments in the amount of $137,500 were repaid to senior officers. As of December 31, 2023, $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, 2023) of the dividend remains outstanding as at December 31, 2023. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at December 31, 2023, interest in the amount of $247,672 ($247,672 – March 31, 2023) on a loan from Targa remains outstanding. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at December 31, 2023, a balance of $398,388 ($215,500 rent arrears and $182,888 interest); (March 31, 2023 - $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.

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 December 31, 2023, $NIL ($NIL – March 31, 2023) remained outstanding on the line of credit with accumulated interest of $242,598 ($242,598 – March 31, 2023) outstanding for a balance of $242,598 ($242,598 – March 31, 2023). 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, 2023) 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, 2023), on a loan from Targa remains outstanding as of December 31, 2023. 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 December 31, 2023, the accrued and unpaid dividends on Class A preferred shares were $22,289,500 ($21,190,000 – March 31, 2023).

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 December 31, 2023 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.

(In Canadian dollars)

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 nine months ended December 31, 2023 and December 31, 2022, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options and convertible instruments.

	Three months ending	
	December 31, 2023 (unaudited)	December 31, 2022 (unaudited)
	$	$
Net profit/(loss) from operations	**(173,920)**	830,907
Cumulative dividends on preferred shares - per annum	**(366,500)**	(366,500)
Net (loss) attributed to common shares (basis and diluted)	**(540,420)**	464,407
Basic and diluted weighted average shares outstanding	**12,925,253**	12,925,253
Basic and diluted (loss) per share from operations	**(0.04)**	0.04

	Nine months ending	
	December 31, 2023 (unaudited)	December 31, 2022 (unaudited)
	$	$
Net profit/(loss) from operations	**447,085**	1,390,041
Cumulative dividends on preferred shares - per annum	**(1,099,500)**	(1,099,500)
Net (loss) attributed to common shares (basis and diluted)	**(652,415)**	290,541
Basic and diluted weighted average shares outstanding	**12,925,253**	12,925,253
Basic and diluted (loss) per share from operations	**(0.05)**	0.02

(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 $4,926,142 (December 31, 2022 - $5,660,402) in property, plant and equipment and Right of Use Asset, building $4,112,798 (December 31, 2022 - $4,605,762) is located in Canada and $813,344 (December 31, 2022 - $1,054,640) in the United States. All the Company's intangible assets are primarily located in Canada.

Revenue by division

	Three months ending		Nine months ending	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$		**$**	
Applied Electronics	**2,596,414**	2,809,282	**8,224,224**	6,468,199
Specialty Structures	**2,260,830**	3,428,911	**9,563,897**	10,077,291
	4,857,244	6,238,193	**17,788,121**	16,545,490

Revenue by geographical location

	Three months ending			
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$		**$**	
Canada	**1,056,991**	4,100,234	**5,579,733**	8,821,598
United States	**4,036,151**	2,120,961	**12,039,214**	7,227,361
Other	**(235,899)**	16,998	**169,173**	496,531
	4,857,244	6,238,193	**17,788,121**	16,545,490

Net earnings (loss) before taxes by division

	Three months ending			
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$		**$**	
Applied Electronics	**(3,281)**	(95,421)	**(230,265)**	137,715
Specialty Structures	**(170,639)**	926,328	**677,350**	1,252,327
	(173,920)	830,907	**447,085**	1,390,042

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

	Three months ending		Nine months ending	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of customers	**1**	1	**1**	2
% of total revenue	**24%**	20%	**22%**	11%, 12%

Assets by division

	December 31, 2023	December 31, 2022
	(unaudited)	(unaudited)
Applied Electronics	**9,516,051**	11,345,453
Specialty Structures	**6,492,177**	8,213,695

Intangibles by division

	December 31, 2023	December 31, 2022
	(unaudited)	(unaudited)
Applied Electronics	**1,282,121**	2,137,407
Specialty Structures	**-**	-

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

PLAINTREE SYSTEMS INC.

For the three and nine months ended December 31, 2023 and December 31, 2022

Date: February 22, 2024

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 nine months ended December 31, 2023 and 2022. Historical results of operations, percentage relationships and any trends that may be inferred there from are not necessarily indicative of the operating results of any future periods. Unless otherwise stated all amounts are in Canadian dollars following the requirements of the International Financial Reporting Standards ("IFRS"). The information contained herein is dated as of February 22, 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 interim 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 Robert Turley, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI52-109"), have both certified that they have reviewed the interim financial statements and this MD&A ("the interim Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the interim 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 interim Filings; and (b) the interim financial statements together with the other financial information included in the interim 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 interim 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 in relation to ongoing COVID concerns and/or effects; 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 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. All the proceeds from the $1.5 million term loan were 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 Interim 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		Nine months ended	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$	$		
Revenue	**4,857**	6,238	**17,788**	16,545
Net earnings (loss) and comprehensive earnings (loss)	**(174)**	831	**447**	1,390
Net earnings (loss) attributed to common shareholders	**(540)**	464	**(652)**	291
Basic and diluted earnings (loss) per share	**(0.04)**	0.04	**(0.05)**	0.02

($000s, except per share amounts)

	December 31, 2023	March 31, 2023
	(unaudited)	(audited)
	$	$
Total assets	**16,008**	16,128
Total liabilities	**15,739**	16,306
Long-term liabilities	**6,144**	6,612
Cash dividends declared per share	**nil**	nil

Results from Operations

($000s)	Three months ended		
	December 31, 2023	December 31, 2022	Change from
	(unaudited)	(unaudited)	
	$	$	$
Revenue	**4,857**	6,238	(1,381)
Cost of sales	**3,363**	3,824	(462)
Gross margin	**1,495**	2,414	(919)
	0	0	
Operating expenses:			
Research and development	**510**	436	74
Finance and administration	**496**	394	102
Sales and marketing	**468**	509	(41)
Bad debts	**(38)**	-	(38)
Gain on disposal of assets	**-**	-	-
Interest expense	**61**	208	(147)
Loss (Gain) on foreign exchange	**171**	35	135
	1,669	1,583	86
Net earnings (loss) and comprehensive earnings (loss)	**(174)**	831	(1,005)

($000s)	Nine months ended		
	December 31, 2023	December 31, 2022	Change from
	(unaudited)	(unaudited)	
	$	$	$
Revenue	**17,788**	16,545	1,243
Cost of sales	**12,326**	11,124	1,202
Gross margin	**5,462**	5,421	41
	31%	33%	
Operating expenses:			
Research and development	**1,319**	1,222	98
Finance and administration	**1,619**	1,245	374
Sales and marketing	**1,644**	1,319	325
Gain on disposal of assets	**23**	-	23
Interest expense	**209**	328	(119)
(Gain) on foreign exchange	**201**	(83)	283
	5,015	4,031	984
Net earnings and comprehensive earnings	**447**	1,390	(943)

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 $4,926,142 (December 31, 2022 - $5,660,402) in property, plant and equipment and Right of Use Asset, building $4,112,798 (December 31, 2022 - $4,605,762) is located in Canada and $813,344 (December 31, 2022 - $1,054,640) in the United States. All the Company's intangible assets are primarily located in Canada.

Revenue by division

	Three months ending		Nine months ending	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$		**$**	
Applied Electronics	**2,596,414**	2,809,282	**8,224,224**	6,468,199
Specialty Structures	**2,260,830**	3,428,911	**9,563,897**	10,077,291
	4,857,244	6,238,193	**17,788,121**	16,545,490

Revenue by geographical location

	Three months ending			
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$		**$**	
Canada	**1,056,991**	4,100,234	**5,579,733**	8,821,598
United States	**4,036,151**	2,120,961	**12,039,214**	7,227,361
Other	**(235,899)**	16,998	**169,173**	496,531
	4,857,244	6,238,193	**17,788,121**	16,545,490

Net earnings (loss) before taxes by division

	Three months ending			
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$		**$**	
Applied Electronics	**(3,281)**	(95,421)	**(230,265)**	137,715
Specialty Structures	**(170,639)**	926,328	**677,350**	1,252,327
	(173,920)	830,907	**447,085**	1,390,042

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

	Three months ending		Nine months ending	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of customers	**1**	1	**1**	2
% of total revenue	**24%**	20%	**22%**	11%, 12%

Assets by division

	December 31, 2023	December 31, 2022
	(unaudited)	(unaudited)
Applied Electronics	**9,516,051**	11,345,453
Specialty Structures	**6,492,177**	8,213,695

Intangibles by division

	December 31, 2023	December 31, 2022
	(unaudited)	(unaudited)
Applied Electronics	**1,282,121**	2,137,407
Specialty Structures	**-**	-

Revenues
Total product revenue from ongoing operations for the first nine months of fiscal 2024 was $17,788,121 compared to $16,545,490 for the first nine months of fiscal 2023.

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

Plaintree's Applied Electronics division revenues from operations increased in the first nine months of fiscal 2024 to $8,224,223 compared to $6,468,199 in the first nine months of fiscal 2023.

Plaintree's Specialty Structures division revenues from operations decreased slightly to $9,563,897 in the first nine months of fiscal 2024 from $10,077,291 in the first nine months of fiscal 2023.

Gross Margin

Total gross margin decreased during the first nine months of fiscal 2024, at 31% compared to 33% for fiscal 2023 due to sales timing and mix.

Operating Expenses

Research and development expenses

Research and development expenses were $1,319,354 and $1,221,743 for the first nine months of fiscals 2024 and 2023, respectively. Research and development expenditures consist primarily of development engineering and personnel expenses.

Finance and administration expenses

Finance and administration expenses were $1,619,067 and $1,244,995 for the first nine months of fiscals 2024 and 2023, 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 $1,644,253 and $1,319,127 for the first nine months of fiscals 2024 and 2023, 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.

Bad debt

Bad debts associated with uncollected receivables were $NIL and $nil in the first nine months of fiscals 2024 and 2023.

Loss on disposal of assets

Loss on disposal of assets was $22,867 and $NIL in the first nine months of fiscals 2024 and 2023 respectively. The loss arose from the disposal of obsolete plant equipment.

Interest expense

Interest expense consists of interest incurred on bank debt. Interest expenses amounted to $208,860 and $327,791 for the first nine months of fiscals 2024 and 2023 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)/Loss on foreign exchange

The Company reported a loss on foreign exchange of $200,572 and a gain of ($82,527) in the first nine months of fiscals 2024 and 2023, 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 earnings (loss) and comprehensive earnings (loss) for first nine months of fiscal 2024 and fiscal 2023 was $(652,415) and $290,541, 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 December 31, 2023 the accrued and unpaid dividends on the Class A preferred shares were $22,289,500 (March 31, 2023 - $21,190,000).

Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2024, 2023 and 2022:

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

	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	Jun 30 2022 Q1 2023	Mar 31 2022 Q4 2022
	$	$	$	$	$	$	$	$
Revenue	4,857	5,178	7,753	3,397	6,238	4,861	5,447	5,168
Net earnings (loss) and total comprehensive earnings (loss)	(174)	(44)	665	(3335)	831	220	339	(366)
Net (loss) earnings attributed to common shareholders	(540)	(410)	298	(3,701)	465	(147)	(28)	(733)
Basic and diluted (loss) earnings per share	(0.04)	(0.06)	0.02	(0.29)	0.04	(0.01)	(0.00)	(0.06)

Liquidity and Capital Resources

	December 31, 2023 (unaudited)	March 31, 2023 (audited)	Change
	$	$	$
Cash	(1,854)	(1,097)	(757)
Working Capital	(52)	(886)	834

	December 31, 2023 (unaudited)	December 31, 2022 (unaudited)	Change
	$	$	$
Net cash provided by (used in) :			
Operating activities	1,266	(880)	2,146
Investing activities	(165)	(727)	562
Financing activities	(1,857)	(1,093)	(764)

Going Concern Note

During the fiscal year ending March 31, 2023 the Company undertook several new initiatives, including integration of the acquired Elmira Stove Works operations. The relocation and startup of the Elmira business, including the recruiting and training of new employees, introduction of new equipment and processes, as well as supply chain challenges weighed heavily on operational results due to higher expenses and lower than expected revenue from Elmira. The year also saw the timing of large and profitable projects pushed out beyond the fiscal year end. These factors significantly resulted in the Company ending fiscal 2023 with a total comprehensive loss of $1,944,940 (December 31, 2023 gain of $447,085) including $666,486 in non-cash impairment charges and income tax recovery (December 31, 2023 - $NIL). As a result, the Company was offside on its bank borrowing covenants, requiring that $3,112,488 of long-term debt be reclassified and recorded as a current liability (December 31, 2023 - $2,089,659). This reclassification, as required under IFRS, resulted in the Company's net working capital falling to negative $885,624 as at March 31, 2023 (December 31, 2023 – negative $51,724). Based on the negative working capital position and non-compliance with bank covenants, management of the Company deemed it necessary to issue a going concern note to its financial statements as its ability to continue as a going concern is dependent on factors that are beyond its direct control. One such factor is the continuation of credit facilities from the Company's bank. The Company continues to have access to its credit facilities, however, until the Company is in compliance with the bank covenants, the bank continues to have the right to call the loan. Once the Company is in compliance with the bank's covenants, it will be able to reclassify the long-term portion of the bank debt. The Company's analysis of forecasted sales and expenses shows improvement in both sales and cash flow based on contracts bid and/or signed. As a result, the Company believes that it has sufficient cash resources to meet its obligations.

Cash

As at December 31, 2023, the Company had a cash deficit of $(1,853,613) a decrease in cash of $(756,883) from cash deficit of $(1,096,730) as of March 31, 2023.

Working Capital

Working capital represents current assets less current liabilities. As at December 31, 2023, the Company had working capital of $(51,724) compared to a working capital of $(885,625) at March 31, 2023. Long-term debt excluding the contingent purchase consideration and certain loans and leases are subject to certain covenants which the Company was not in compliance with as of December 31, 2023. As a result, $2,089,659 that would normally be considered long-term debt has been reclassified as current, $3,112,488 as of March 31, 2023.

Operating activities

Cash provided by operating activities during the first nine months of fiscal 2024 was $1,266,058 representing an increase of $2,145,701 from cash (used) of $(879,643) for the respective period during fiscal 2023.

Investing activities

Cash (used in) investing activities during the first nine months of fiscal 2024 was $(165,482) representing a decrease in investments of $561,912 in investing activities from cash (used in) investing activities of $(727,394) in the respective period during fiscal 2023. Cash used in investing activities during fiscal 2024 relates primarily to the purchases of manufacturing equipment and website development.

Financing activities

Cash (used in) in financing activities during the first nine months of fiscal 2024 was $(1,857,215) representing an increase in financing activity of $(763,782) from cash (used in) of $(1,093,433) during the respective period in fiscal 2023. Cash used in financing activities during the first nine months 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 $4,000,000 CAD through its bank based on acceptable trade receivables and inventory. The total amount available to the Company as at December 31, 2023 was $3,796,704 CAD of which $1,968,166 was in use and a letter of credit in the amount of US$100,000 ($132,260 CAD) leaving $1,696,278 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 $221,620 CAD was in use as at December 31, 2023. 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 December 31, 2023 $555,448 CAD was available (Note 7 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 December 31, 2023 due to the completion of the acquisition installments.

Due to related parties

	December 31, 2023	March 31, 2023
	(unaudited)	(audited)
	$	$
Due to senior officers	3,678,093	3,815,593
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
	4,828,143	4,965,643
Less: current portion	(50,000)	(50,000)
	4,778,143	4,915,643

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

As at December 31, 2023, a balance of $3,678,093 ($2,542,459 principal and $1,135,634 interest); (March 31, 2023 - $3,815,593 ($2,579,959 principal and $1,235,634 interest)) remained owing to senior officers of the Company. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During the first nine months of fiscal 2024 payments in the amount of $137,500 were repaid to senior officers. As of December 31, 2023, $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, 2023) of the dividend remains outstanding as at December 31, 2023. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.
As at December 31, 2023, 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 parties have agreed with third-party lenders to postpone repayments.

As at December 31, 2023, a balance of $398,388 ($215,500 rent arrears and $182,888 interest); (March 31, 2023 - $398,388 ($215,500 rent arrears and $182,888 interest)) remained owing to Tidal Quality Management Corporation, 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.

The Company has a revolving line of credit of up to $1,000,000 with Targa. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Line is secured by a security interest granted over the assets of the Company. As at December 31, 2023, $NIL ($NIL – March 31, 2023) remained outstanding on the line of credit with accumulated interest of $242,598 ($242,598 – March 31, 2023) outstanding for a balance of $242,598 ($242,598 – March 31, 2023). 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, 2023) 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, 2023), on a loan from Targa remains outstanding as of December 31, 2023. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents in the form of lease payments paid to Tidal Quality Management Corporation during the nine months ended December 31, 2023, totaled $513,722 ($550,553 – December 31, 2022). 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 February 22, 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.

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.