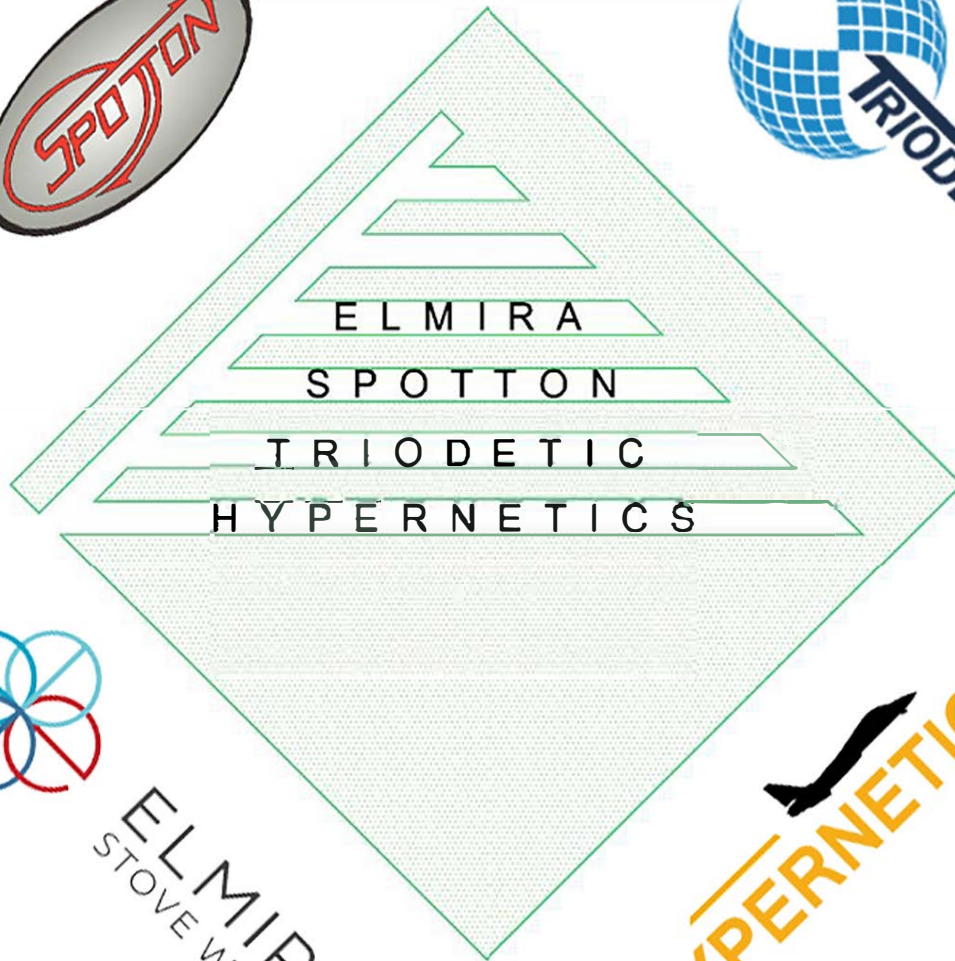




PLAINTREE



ELMIRA
STOVE WORKS

HYPERNETICS

Annual Audited Report Fiscal 2026
March 31, 2026

Plaintree Systems Inc.

March 31, 2026 and March 31, 2025

Table of Contents

Independent Auditor’s Report.....	1-4
Consolidated statements of financial position.....	5
Consolidated statements of comprehensive earnings	6
Consolidated statements of cash flows.....	7
Consolidated statement of changes in equity.....	8
Notes to the consolidated financial statements	9-42

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

PLAINTREE SYSTEMS INC.

Opinion

We have audited the consolidated financial statements of Plaintiff Systems Inc. (the Company) , which comprise the consolidated statements of financial position as at March 31, 2026 and 2025, the consolidated statements of comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2026 and 2025 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) .

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2026. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matter described below to be the key audit matter to be communicated in our auditor's report.

Key Audit Matter - Cont'd.

Revenue recognition and estimated costs to complete fixed price design and manufacture contracts

Description of matter

The Company recognizes a portion of its revenue over time based on the percentage of completion method related to its fixed price design and manufacture contracts that are of a custom nature. The percentage of completion method is measured by reference to costs incurred to date as a percentage of total estimated costs to complete the contract. The Company's policy for revenue recognition together with the related critical accounting estimates and judgements are described in note 3. The Company recognized \$15,237,214 of revenue as part of continuing operations and an additional \$813,304 recognized as part of discontinued operations from fixed price design and manufacture contracts during the year-ended March 31, 2026.

Why the matter is a key audit matter

Auditing the Company's estimated costs to complete its fixed price design and manufacture contracts where the Company has not fulfilled all performance obligations of the contracts scope of work at year-end was complex due to the significant estimation uncertainty and judgement involved in evaluating the assumptions made by management in estimating costs to complete the contract. The total estimated costs to complete a contract can have a material impact on the amount and timing of revenue and profit recognized. The significant assumptions include those related to estimated future labour and materials costs.

How the matter was addressed in the audit

The primary procedures performed to address the key audit matter included the following:

To audit the estimated costs to complete the related contracts applying the percentage of completion method, our audit procedures included, among others, selecting a sample of in progress contracts and agreeing the key terms of the contractual arrangements and change orders to management's contract analysis and revenue calculations. We inquired and evaluated the consistency of responses obtained from operating personnel regarding risks and uncertainties related to the completion of the contract, as well as the nature of the work yet to be completed and estimated costs to complete such work. We evaluated the reasonableness of management's cost to complete assumptions for a sample of contracts by comparing estimated costs to supporting documentation or actual costs incurred for comparable manufactured material costs. We evaluated the reasonableness of management's historical estimates of costs to complete by comparing previous cost estimation forecasts to actual results for historical contracts and comparing the profit margin for a sample of completed contracts to the estimate of the profit margin in prior periods. We also assessed the adequacy of disclosures that describe the areas of judgement and estimation uncertainties involving revenue recognition for fixed price design and manufacture contracts applying the percentage of completion method.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alessandro D'Angelo.

A handwritten signature in black ink that reads "Welch LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
July 27, 2026.

Plaintree Systems Inc.

Consolidated statements of financial position

(audited)

(in Canadian dollars)

	March 31, 2026	March 31, 2025
	\$	\$
Assets		
Current assets		
Cash	1,645,307	-
Trade receivables and other receivables	2,571,876	2,846,396
Unbilled revenue	504,647	2,752,252
Taxes receivable	-	63,611
Inventories (Note 5)	4,061,053	3,564,235
Prepaid expenses (Note 8)	455,786	170,801
Mortgage receivable (Note 6)	-	272,008
	9,238,669	9,669,303
Property, plant and equipment (Note 10)	2,559,807	4,189,355
Intangible assets (Note 11)	48,368	-
	11,846,844	13,858,658
Liabilities		
Current liabilities		
Bank indebtedness	-	2,700,232
Trade and other payables (Note 13)	2,704,103	2,591,531
Deferred revenue (Note 21)	1,893,626	1,267,908
Current portion of long-term debt and lease obligation (Note 7, 8)	399,973	2,974,808
Current portion of due to related parties (Note 12)	50,000	50,000
Current portion of government assistance (Note 9)	-	87,921
	5,047,702	9,672,400
Long-term debt and lease obligation (Note 7, 8)	394,390	157,872
Government assistance (Note 9)	-	229,608
Due to related parties (Note 12)	4,865,643	4,715,451
	10,307,735	14,775,331
Shareholders' equity		
Issued capital	2	2
Contributed surplus	2,159,842	2,159,842
Deficit	(620,735)	(3,076,517)
	1,539,109	(916,673)
	11,846,844	13,858,658

Approved by the Board

"David Watson""Girvan Patterson"

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

Plaintree Systems Inc.

Consolidated statements of comprehensive earnings

For the twelve months ended March 31, 2026 and March 31, 2025

(audited)

(in Canadian dollars)

	Twelve months ended	
	March 31, 2026	March 31, 2025
	\$	\$
Revenue (Note 16, 21)	17,356,379	21,438,745
Cost of sales (Note 5, 8)	11,132,098	16,510,554
Gross margin	6,224,281	4,928,191
Operating expenses		
Engineering and design	1,669,628	1,836,994
Finance and administration	1,089,632	1,947,415
Sales and marketing	1,206,545	1,484,314
Bad debts	141,284	26,920
(Gain)/Loss on disposal of assets	-	(136,310)
Interest expense	294,863	241,282
(Gain)/Loss on foreign exchange	207,483	(94,729)
	4,609,435	5,305,886
Net earnings (loss) from continuing operations before income taxes and other income/expenses	1,614,846	(377,695)
Loss on Impairment	-	995,621
Net earnings (loss) from continuing operations before income taxes	1,614,846	(1,373,316)
Income tax expense (note 17)		
Current expense	-	21,379
	-	21,379
Net earnings (loss) from continuing operations	1,614,846	(1,394,695)
Net Gain/(Loss) from discontinued operations (Note 4)	840,936	(416,059)
Net earnings (loss) and comprehensive earnings	2,455,782	(1,810,754)
Basic and diluted earnings (loss) per common share (Note 15)		
From continuing and discontinued operations	0.08	(0.25)
From continuing operations	0.01	(0.22)
Weighted average common shares outstanding	12,925,253	12,925,253

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

Plaintree Systems Inc.

Consolidated statements of cash flows

For the twelve months ended March 31, 2026 and March 31, 2025

(audited)

(in Canadian dollars)

	Twelve months ended	
	March 31, 2026	March 31, 2025
	\$	\$
Operating activities		
Comprehensive earnings	2,455,782	(1,810,754)
Add (deduct) items not affecting cash:		
Depreciation of intangible assets	-	141,514
Depreciation of property, plant and equipment	1,299,327	1,514,700
Bad debts	141,284	26,920
(Gain)/Loss on disposal of assets	(2,866,691)	(136,310)
Loss on Impairment	-	995,621
Write-down of inventory	-	1,150,937
Changes in non-cash operating working capital items		
Deferred revenue	625,718	861,870
Inventories	(496,818)	(989,402)
Prepaid expenses and other receivables	(284,985)	(10,513)
Trade and other payables	112,572	89,404
Trade and other receivables	196,634	(34,002)
Unbilled revenue	2,247,605	(747,257)
Mortgage receivable	272,008	6,297
Cash (used) provided by operations	3,702,436	1,059,025
Investing activities		
Payments to acquire intangible assets	(48,368)	(31,090)
Payments to acquire property, plant and equipment	(227,406)	(526,277)
Proceeds from the sale of assets in discontinued operations	3,393,530	-
Cash (used) in investing activities	3,117,756	(557,367)
Financing activities		
Repayment of government assistance	(317,529)	(50,912)
Proceeds from government assistance	31,000	-
Repayment of long-term debt	(1,076,200)	(426,685)
Proceeds from financing	99,543	130,489
Repayment of capital lease obligations	(1,361,659)	(926,975)
Increase in related party borrowings (Note 12)	200,000	-
Repayment of related party borrowings (Note 12)	(49,808)	(48,269)
Cash (used) in financing activities	(2,474,653)	(1,322,353)
Net cash outflow	4,345,539	(820,695)
Bank indebtedness - beginning of the year	(2,700,232)	(1,879,537)
Net cash (bank indebtedness) - end of the year	1,645,307	(2,700,232)

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

PLAINTREE SYSTEMS INC.

Consolidated Statement of changes in equity

For the twelve months ended March 31, 2026 and March 31, 2025

(audited)

(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, 2025	12,925,253	\$ 1	18,325	\$ 1	\$ 2,159,842	\$ (3,076,517)	\$ (916,673)
Net earnings and comprehensive earnings - continuing operations						1,614,846	1,614,846
Net earnings and comprehensive earnings - discontinued operations						840,936	840,936
Balances at March 31, 2026	12,925,253	\$ 1	18,325	\$ 1	\$ 2,159,842	\$ (620,735)	\$ 1,539,109

	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						(1,810,754)	(1,810,754)
Balances at March 31, 2025	12,925,253	\$ 1	18,325	\$ 1	\$ 2,159,842	\$ (3,076,517)	\$ (916,673)

(1) Class A Shares have a 8% cumulative dividend, calculated on redemption amount, redeemable at the option of the Company at any time at \$1,000 per share plus accrued dividends; non-voting.

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

Welch LLP[®]

An Independent Member of BKR International

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

1. Description of the business

Plaintree Systems Inc. ("Plaintree" or the "Company") was incorporated in Canada under the Canada Business Corporation Act and is publicly traded on the Canadian Securities Exchange ("CSE") under "NPT". Plaintree is a diversified company with proprietary technologies and manufacturing capabilities in structural design and aerospace. The Company operates an Applied Electronics division, consisting of the Hypernetics division and the Elmira Stove Works business, as well as a Specialty Structures division consisting of the Triodetic business and Spotton Corporation. The Hypernetics business manufactures avionic components for various applications, including aircraft anti-skid braking systems, aircraft indicators, solenoids, and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum, and stainless-steel specialty structures, including commercial domes, free-form structures, barrel vaults, space frames, and industrial dome coverings. 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.

Until July 2026, the Applied Electronics segment included Summit Aerospace USA Inc. ("Summit Aerospace"), a machine shop serving the aerospace sector. The assets and liabilities associated with this business were disposed of during the fiscal year.

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved for issue by the Board of Directors on July 23, 2026.

(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

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies

The significant accounting policies include the following:

Inventories

Inventories are valued using a standard costing formula and are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are allocated to the weighted average cost of inventory by the method most appropriate to the particular class of inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment for losses. When parts of material items of property, plant and equipment have significantly different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives using the straight-line method as follows:

Building	20 years
Leasehold improvements	10 years
Factory equipment	10 years
Computer equipment	3 years
Office equipment and furniture	10 years
Vehicles	4 years

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero. Variable costs are not included in the measurement of the lease liability.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Intangible assets

The Company's intangible assets consist of software, brands, customer relationships, non-competes and patents. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment for losses. The Company uses the income approach to determine the fair value of its acquired customer relationship and non-competition agreement intangible assets. This approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that an asset can be expected to generate over its remaining useful life. These assets are capitalized and are amortized to operations over their estimated useful lives from the date that they are acquired and available for use, since this most closely reflects the expected usage and consumption patterns related to the future economic benefits embodied in the assets. The Company considers the length of time over which it expects to earn or recover the present value of the assets. Depreciation is recognized so as to write off the cost of assets over their useful lives using the straight-line method as follows:

Software	2 years
Customer relationship	10 years
Non-competition agreement	6.5 years
Brands	10 years
Patents	10 years

The Company's policy is to review all long-lived assets, including property, plant and equipment, and intangible assets, for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company will record an impairment of the asset if the recoverable amount, determined as the higher of an asset's fair value less costs to sell or the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Revenue recognition

Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services. This is achieved through applying the following five-step model:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligation in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company generates substantially all of its revenue from contracts with customers, whether formal or implied for the delivery of customized products and services, except for Elmira where standard products are sold.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Revenue recognition – Cont'd.

Given the custom nature of the products sold by the Company revenue is recognize over time using the percentage of completion method of services rendered that reflects the extent of work accomplished. Management estimates the percentage-of-completion by reference to measures of performance that are reasonably determinable and are directly related to the activities critical to completion of the contract.

The Company uses this method of revenue recognition as projected contract revenue and costs may reasonably be estimated based on the Company's business practices, methods and historical experience.

This method requires estimates of costs and profits over the entire term of the contract. Management regularly reviews underlying estimates of project profitability; revisions to estimates are reflected in the statement of income in the period in which the facts that give rise to the revision become known. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured as the amount by which the estimated costs of the contract exceed the estimated total revenue from the contract.

Where products sold are not customized, the company recognizes revenue at a point in time upon delivery of the goods.

Progress billings are recorded as deferred revenue to the extent that the billings exceed revenue recognized to date. Unbilled revenue is recorded to the extent that revenue has been recognized, but not yet billed to the customer.

Warranty obligations associated with the sale of equipment are assurance-type warranties and therefore do not represent a distinct performance obligation. The Company records a provision for assurance-type warranties at the time equipment sales are recognized as revenue.

Professional services may be provided for training and support. Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed or delivered.

Generally the Company's performance obligations have an expected duration of under one year and as such the Company has elected to apply the practical expedient available under IFRS 15 to not disclose information relating to remaining performance obligations.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less. The Company had no material contract assets or liabilities.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Business combination

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired and liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations, are recognized at their fair values at the acquisition date. Acquisition costs are expensed as incurred.

Functional currency

The Canadian dollar is the functional currency of the parent company and its subsidiaries.

Monetary assets and liabilities, which are denominated in foreign currencies, are translated to the entity's functional currency at period-end exchange rates, and transactions included in the consolidated statement of comprehensive earnings are translated at average rates prevailing during the period. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of comprehensive earnings.

The accounts of the Company's wholly owned U.S. subsidiaries, which have Canadian dollar functional currencies, have been translated into Canadian dollars using the exchange rates at period-end for monetary items and at the transaction date for non-monetary items measured at historical cost. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of comprehensive earnings.

Stock option plans

The Company measures equity-settled stock options granted at their fair value as of the grant date and recognizes compensation expense over the vesting period. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net earnings. Consideration paid by employees on the exercise of stock options is recorded as share capital, and the related share-based payments are transferred from contributed surplus to share capital.

Investment tax credits and government assistance

Investment tax credits and government assistance are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation.

Research and development expenditures

Current research costs are expensed as incurred, while expenditures for research and development equipment, net of related investment tax credits, are capitalized.

Development costs are deferred and amortized when the criteria for deferral under IFRS are met; otherwise, they are expensed as incurred. To date, no such costs have been capitalized.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Income taxes

The Company's deferred income tax assets and liabilities are recognized for the future tax consequences attributable to tax loss carry-forwards and to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted, applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change of statutory tax rates is recognized in income in the period of enactment or substantive enactment. Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, in the countries where the Company operates and generates taxable income or operating losses.

Basic earnings (loss) per share for continued and discontinued operations

Earnings (loss) per share has been calculated based on net income attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. Earnings (loss) attributable to common shareholders is equal to net income (loss) less the dividends accumulated on the preferred shares. Diluted earnings (loss) per common share is calculated by dividing the applicable net income attributable to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The Company uses the treasury stock method in determining the denominator for earnings (loss) per share. Under this method, it is assumed that the proceeds from the exercise of options are used to repurchase common shares at the weighted average market price of the shares for the period.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and financial liabilities are initially measured at fair value. Trade receivables are initially measured at the transaction price, which represents fair value at the date of the transaction. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All financial assets are recognized and derecognized on the trade date.

The Company determines the classification of its financial assets based on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Financial instruments – Cont'd.

Financial assets

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

<u>Financial asset</u>	<u>Classification under IFRS 9</u>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Unbilled receivables	Amortized cost

Amortized cost

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized using the effective interest rate, except for short-term receivables, where interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss.

Impairment of financial assets

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

<u>Financial Liability</u>	<u>Classification under IFRS</u>
Trade payables and accrued liabilities	Amortized cost
Bank loans, loans	Amortized cost
Due to related parties	Amortized cost

Amortized cost

Financial liabilities at amortized cost are measured using the effective interest rate method, including the impact of deferred financing fees.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Financial liabilities – Cont'd.

De-recognition of financial liabilities

The Company derecognizes a financial liability (in whole or part) from the consolidated statement of financial position when it is extinguished. This occurs when the obligation in the contract is discharged, cancelled or expires.

A financial liability is extinguished when the debtor either:

1. Discharges the liability:
 - The company pays the creditor and is released from its primary obligation.
 - Payments can be made in cash, other financial assets, goods or services.
2. Cancellation or expiry:
 - The company and the creditor agree to cancel the liability.
 - The liability expires or is legally voided.

Assessment of derecognition:

The determination of whether a financial liability should be derecognized involves assessing whether the obligation has been substantially modified or settled. The following criteria are applied:

1. Legal discharge:
 - The company obtains a legal release from the creditor indicating that the legal liability is no longer enforceable.
2. Settlement through negotiation:
 - Any negotiations leading to the cancellation or substantial modification of the terms of the liability are documented and assessed.
 - If the terms are substantially modified, the original liability is derecognized and a new financial liability is recognized based on the modified terms.
3. Litigation outcomes:
 - When a financial liability is subject to litigation, the Company assess the probability of successfully negating the payment obligation.
 - If it is probable, based on legal opinions and management judgement, that the litigation will result in the liability being voided, the liability is derecognized.

Gains and losses on derecognition:

Any gain or loss arising from the derecognition of a financial liability is recognized in the consolidated statement of comprehensive earnings under 'Other Income' or 'Other Expenses'. The gain or loss is calculated as the difference between the carrying amount of the liability (or part of the liability) extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Gains and losses on derecognition – Cont'd.

Disclosure:

The Company provides comprehensive disclosures in its financial statements about the nature and financial effects of derecognition of financial liabilities, including the rationale and basis for derecognition.

Critical accounting estimates and judgments

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual results could differ materially from these estimates.

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates.

Revenue for customized products is recognized over time based on the estimated percentage-of-completion of services rendered at each period-end. This method requires management to estimate total costs and profits over the entire term of the contract.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivables based on the evaluation and aging of trade receivables, including the customers' current creditworthiness and past collection history, and reviews these estimates at the end of each reporting period. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables.

Impairment of long-lived assets

The following abbreviations are referenced below:

CGU: Cash generating unit

FVLCD: Fair value, less costs of disposal

VIU: Value in use

Long-lived assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its FVLCD and its VIU. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased, except for goodwill, to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously. Management uses information available to estimate if indicators of impairment exist when calculating the recoverable amount.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

3. Significant accounting policies - Cont'd.

Determination of CGUs

Management is required to use judgment in determining which assets or group of assets make up appropriate CGUs for the level at which goodwill and intangible assets with indefinite lives are tested for impairment. A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Useful lives of property, plant and equipment and intangible assets

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions and reviews these estimates at the end of each reporting period. The useful lives of intangible assets are based on management's best estimate of the expected life of the economic benefits that will be derived from the assets.

Inventory Impairment

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. An impairment loss is recognized when the carrying amount exceeds net realizable value. Inventory impairment losses are reversed in subsequent periods if the reasons for the impairment no longer exist.

Functional currency

Revenue contracts are priced in a variety of currencies whereas the cost structure inputs are primarily in Canadian dollars. Secondary indicators of functional currency, including financing and cash holdings are primarily in Canadian dollars. As the primary indicators of functional currency do not clearly indicate a specific currency, the indicators as a whole have been judged to indicate the Canadian dollar as the functional currency of the parent company and its subsidiaries.

Estimation uncertainty

Critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; allowance for bad debt; useful lives of property, equipment and intangible assets; percentage-of-completion for revenue recognition; unbilled revenue; deferred revenue; inventory obsolescence; ability to utilize tax losses; and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

These estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

4. Discontinued Operations

During the year ended March 31, 2026, the Company completed the sale of substantially all operating assets of Summit Aerospace USA Inc (Summit). Summit had previously been classified as held for sale and reported as part of the Applied Electronics segment. The disposal represented the Company's exit from the Summit operations. As at March 31, 2026, no non-current assets remained classified as held for sale. Gross proceeds from the sale were \$3,393,530 with a gain on sale of \$2,863,384 resulting in a tax expense of \$317,000. The remaining balances consist primarily of cash and taxes payable.

Plaintree Systems Inc.

Results of discontinued operations

(in Canadian dollars)

	March 31, 2026	March 31, 2025
	\$	\$
Revenue	813,304	2,408,450
Cost of sales	1,788,947	2,763,284
Gross margin	(975,644)	(354,834)
Finance and administration	622,469	10,096
Sales and marketing	-	6,358
(Gain) on disposal of assets	(2,863,384)	-
Interest expense	18,022	39,976
Loss on foreign exchange	89,541	4,795
	(2,133,352)	61,225
Net earnings from discontinued operations before income taxes	1,157,708	(416,059)
Income tax expense		
Current expense	316,772	-
	316,772	-
Net earnings from discontinued operations	840,936	(416,059)

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

4. Discontinued Operations – Cont'd.

Plaintree Systems Inc.

Cash flows from discontinued operations

For the twelve months ended March 31, 2026 and March 31, 2025

(in Canadian dollars)

	March 31, 2026	March 31, 2025
	\$	\$
Operating activities		
Net earnings (loss) from discontinued operations	840,936	(416,059)
Add (deduct) items not affecting cash:		
Depreciation of property, plant and equipment	116,078	268,709
Gain on disposal of assets	(2,863,384)	-
(Gain) loss on foreign exchange	89,541	4,795
Changes in non-cash operating working capital items		
Prepaid expenses and other receivables	65,070	(32,268)
Trade and other payables	105,140	3,428
Trade and other receivables	570,418	106,898
Unbilled revenue	247,046	159,642
Cash provided by (used in) operations	(829,155)	95,145
Investing activities		
Proceeds from the sale of property, plant and equipment	3,393,530	-
Payments to acquire property, plant and equipment	-	(467,434)
Cash provided by (used in) investing activities	3,393,530	(467,434)
Financing activities		
Repayment of government assistance	(317,623)	(50,909)
Repayment of long-term debt	-	(9,528)
Repayment of lease obligations	(263,085)	(80,001)
Cash provided by (used in) financing activities	(580,708)	(140,439)
Net increase (decrease) in cash before intercompany transfers	1,983,667	(512,728)
Increase/(Decrease) in related party loans	(2,062,046)	603,307
Net cash, beginning of the year	280,318	189,739
Net cash, end of year	201,939	280,318

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

5. Inventories

	March 31, 2026	March 31, 2025
	\$	\$
Raw materials	3,080,140	2,997,875
Work in process	581,713	554,786
Finished goods	399,200	11,575
	4,061,053	3,564,235

The cost of inventories recognized as an expense during the year from continuing operations was \$11,132,098 (\$16,510,554 in 2025) and \$1,788,947 from discontinued operations (\$2,763,284 in 2025). The total carrying value of inventory as at March 31, 2026, was pledged as security through general security agreements under bank lines of credit and related party liabilities (see note 12 and 18).

The Company wrote down its inventories by \$6,168 in fiscal 2026 (\$1,365,139, in 2025) to reflect where the carrying amount exceeded net realizable value. The Company had write-ups in the year totaling \$278,629 (\$52,301 in 2025).

6. Mortgage receivable

In March 2020, the Company sold a building it owned in Arnprior, Ontario, for \$1.3 million. The consideration was paid by \$1 million in cash and a vendor take-back mortgage of \$300,000. The vendor take-back mortgage has a five-year term and earns interest at 6.076%. The Issuer has secured the vendor take-back mortgage by a charge over the building and other security. The building was not used by the Issuer in its operations and was leased to a third party. The gain on sale was \$283,068. The loan was fully paid and discharged during the fiscal year.

7. Long-term debt

	March 31, 2026	March 31, 2025
Non-revolving loan payable in quarterly blended installments of principal and interest, \$9,796 USD, at a rate of 7.7%, the loan is unsecured, maturing June 2028.	\$ 99,543	\$ -
Non-revolving loan payable in monthly installments of principal, \$19,565 plus monthly interest at a rate of prime + 1%, secured by general security agreement, maturing March 2027.	-	939,108
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.	-	178,243
Deferred financing fees	-	(41,150)
	99,543	1,076,201
Current portion	(49,065)	(1,076,201)
	50,478	-

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

7. Long-term debt – Cont'd.

During the fiscal year, the Company paid off the outstanding bank-financed loans. The deferred financing fees related to an asset previously held by the discontinued operation (see note 4).

Long-term debt, excluding non-covenant-based instruments, totaling \$NIL (\$1,117,351 in 2025), is subject to certain covenants, including a debt service covenant, which the Company was in compliance with as of March 31, 2026. In fiscal year 2025, the company was not in compliance with all covenants and included \$673,468 in the current portion of long-term debt.

8. Lease Obligation

The Company's leases are for factory equipment and plant. The leases are typically 2 to 7 years in length and are subject to interest rates ranging 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 converted to a 2-year term, replacing the existing 5-year building lease. This lease has been recorded as a right-of-use asset and lease liability on the consolidated statement of financial position. The landlord is a related party and has provided a three-month rent forgiveness of \$203,250 in fiscal 2026, before tax. The rent forgiveness was recorded as a reduction of cost of sales on the consolidated statement of comprehensive earnings. A new 2-year lease was negotiated with the related party to replace the expiring lease taking effect subsequent to the current fiscal year. The new lease term commences on April 1, 2026 and expires on March 31, 2028 with minimum monthly rental payments of \$67,750 subject to annual market rate increases plus operating costs. The lease included a one-time lump sum payment of \$200,000 as base rent on the execution of the lease which was recorded in prepaid expenses on the consolidated statement of financial position.

The following table presents the Company's lease obligations as at March 31, 2026:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2027	386,099	-	386,099
Fiscal 2028	355,367	-	355,367
Thereafter	-	-	-
Total future minimum lease payments	741,466	-	741,466
Imputed interest	(46,646)	-	(46,646)
Total lease liabilities	694,820	-	694,820
Less: current portion	(350,908)	-	(350,908)
Non-current portion	343,913	-	343,913

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

8. Lease Obligation – Cont'd.

The following table presents the Company's lease obligations as at March 31, 2025:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2026	481,691	813,000	1,294,691
Fiscal 2027	513,391	-	513,391
Fiscal 2028	400,060	-	400,060
Thereafter	3,384	-	3,384
Total future minimum lease payments	1,398,526	813,000	2,211,526
Imputed interest	(125,710)	(29,337)	(155,047)
Total lease liabilities	1,272,816	783,663	2,056,479
Less: current portion	(1,114,944)	(783,663)	(1,898,607)
Non-current portion	157,872	-	157,872

Interest expense on lease obligations for the year ended March 31, 2026, was \$52,534 (2025 - \$102,944). Variable lease payments for operating costs not included in the measurement of lease obligations for the year ended March 31, 2026, were \$10,632 (2025- \$10,632).

Expenses relating to short-term leases and leases of low-value assets for the year ended March 31, 2026, were \$9,375 (2025 - \$9,375). Total cash outflow for leases was \$1,240,722 (2025 - \$1,253,391), including \$1,169,483 (2025 - \$1,161,080) of principal payments on lease obligations.

The following table presents the future contractual cash flows for short-term leases at March 31, 2026:

	\$
2027	10,632
2028	5,358

Included in the factory equipment leases are \$694,820 of leases subject to certain covenants (\$968,580 in 2025), which the Company was in compliance with as at March 31, 2026. In fiscal year 2025, the company was not in compliance with all covenants, and as a result, \$703,623 was included in the current portion of long-term debt.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

9. Government assistance

The Company's Summit Aerospace USA Inc. division accepted a loan of \$720,000 USD (\$899,712CAD) from the Pennsylvania Industrial Development Authority (PIDA) as partial financing towards the manufacturing facility in Pocono Summit, PA, purchased in May 2013. The loan carried 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 was secured by the related land and building. This loan was part of the discontinued operation (see note 4) and was paid in full prior to the sale of the manufacturing facility.

The company recorded \$31,000 in government assistance in continuing operations for export initiatives in fiscal 2026.

10. Property, plant and equipment, right of use assets

	Factory equipment	Computer equipment	Office equipment	Vehicles	Lease improvements	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost, balance								
March 31, 2024	13,802,194	965,572	202,313	423,524	2,346,608	3,933,069	124,557	21,797,837
Additions	912,819	10,622	-	-	37,710	248,668	-	1,209,819
Disposals	(707,616)	-	-	(11,984)	-	-	-	(719,600)
March 31, 2025	14,007,397	976,194	202,313	411,540	2,384,318	4,181,737	124,557	22,288,055
Additions	39,047	5,655	5,289	24,203	153,213	-	-	227,406
Disposals	(8,000)	-	-	(18,000)	-	(3,173,953)	-	(3,199,953)
Discontinued assets	(3,776,594)	-	-	-	(523,926)	(1,007,784)	(124,557)	(5,432,861)
March 31, 2026	10,261,850	981,849	207,602	417,743	2,013,605	-	-	13,882,647
Depreciation, balance								
March 31, 2024	(11,385,926)	(948,386)	(202,313)	(413,526)	(1,737,638)	(2,303,748)	-	(16,991,538)
Depreciation	(530,206)	(11,883)	-	(3,000)	(109,350)	(860,261)	-	(1,514,700)
Disposal	395,552	-	-	11,984	-	-	-	407,536
March 31, 2025	(11,520,580)	(960,269)	(202,313)	(404,542)	(1,846,989)	(3,164,009)	-	(18,098,701)
Depreciation	(307,733)	(9,047)	(308)	(8,547)	(90,355)	(767,222)	-	(1,183,213)
Disposal	8,000	-	-	18,000	-	3,173,953	-	3,199,953
Discontinued assets	3,405,022	-	-	-	596,818	757,278	-	4,759,118
March 31, 2026	(8,415,290)	(969,316)	(202,622)	(395,089)	(1,340,526)	-	-	(11,322,843)
Carrying amount,								
March 31, 2026	1,846,560	12,533	4,980	22,655	673,079	-	-	2,559,807
March 31, 2025	2,486,817	15,925	-	6,999	537,330	1,017,728	124,557	4,189,355

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

10. Property, plant and equipment – Cont'd.

Included in factory equipment are right of use assets with a cost of \$1,002,997 and accumulated amortization of \$288,049 (2025 - cost of \$3,341,086 and accumulated amortization of \$1,169,921) and included in building are right of use assets with a cost of \$NIL and accumulated depreciation of \$NIL (2025 - cost of \$3,173,953 and accumulated amortization of \$2,406,732). Some equipment, not related to the assets held by the discontinued operation, see note 4, with a value of \$26,000 was fully amortized prior to its disposal during the year. The related party lease on the manufacturing building expired resulting in the removal of fully amortized amount of \$3,173,953. Refer to Note 8 for a breakdown of the Company's lease obligations.

11. Intangibles

	Brand	Patents	Software	Customer Relationship and Non-compete	Total
Cost, balance				\$	\$
March 31, 2024	565,751	-	363,551	532,065	1,461,370
Additions	-	-	31,090	-	31,090
Impairment	(380,407)	-	(43,255)	(357,757)	(781,419)
Disposals	-	-	-	-	-
March 31, 2025	185,344	-	351,386	174,308	711,038
Additions	-	48,368	-	-	48,368
Disposals	-	-	-	-	-
March 31, 2026	185,344	48,368	351,386	174,308	759,406
Accumulated Depreciation, balance					
March 31, 2024	(131,000)	-	(315,325)	(123,200)	(569,526)
Depreciation	(54,344)	-	(36,306)	(51,108)	(141,758)
Disposals	-	-	-	-	-
March 31, 2025	(185,344)	-	(351,386)	(174,308)	(711,038)
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
March 31, 2026	(185,344)		(351,386)	(174,308)	(711,038)
Carrying amount,					
March 31, 2026	-	48,368	-	-	48,368
March 31, 2025	-	-	-	-	0

During fiscal 2026, a general utility patent has been applied for and is currently pending. Management believes the patent will be awarded and has recorded related fees of \$48,368 as an intangible asset.

In the 2025 fiscal year, the Company reviewed the recoverable amount of intangible assets for the CGU. The intangible asset carrying value is allocated to the Elmira CGU. The Elmira CGU is allocated to the Applied Electronics operating segment (see Note 16). Elmira Stove Works manufactures custom vintage-inspired kitchen appliances for the North American consumer market. The recoverable amount was assessed by reference to the fair value less costs of disposal ("FVLCD") calculation using level 3 fair value inputs. The near term cash flow estimate for the Elmira CGU forecasted negative cash flow including in the terminal period requiring the Company to assess fair value by reference to discounted asset values less Management's estimated disposal costs. The key assumption is that the intangible assets have no value under a liquidation model. The other assumptions (5% brokerage fee, and 6 month discount period) don't have a material impact on the estimate. The applied discount rate (WACC) of 27.11% per annum was influenced by interest rates, equity, and size risk premium rates.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

11. Intangibles – Cont'd.

Management determined that an impairment charge was required to write off intangible assets of \$380,407 on Brand, \$357,757 on Customer Relationship, and \$43,255 on Software for a combined \$781,419 impairment, with an additional impairment of \$214,202 against inventory. The recoverable amount was assessed as the higher of the value in use and the fair value less costs of disposal. The fair value less costs of disposal method provided a higher result due several factors. The share purchase agreement for Elmira warranted that all products were fit for sale. The sellers had not kept up the Canadian Standards Association ("CSA") reporting which is required to sell appliances in North America. In 2024, CSA pulled Elmira's right to ship ranges, including electric, gas, and mixed fuel, pending a recertification process. This process has continued into 2025, resulting in a large build-up of finished goods for products that were not impacted and re-designs of the ranges to meet the new standards. Order acceptance has slowed materially due to geopolitical and market headwinds. With three-quarters of Elmira's customers residing in the United States, this has had a devastating impact on new business. Elmira was unable to operate as it had historically resulting in negative value in use, and so a change in testing methodology was required using the fair value less costs of disposal. The recoverable amount of the CGU amounted to \$414,188 as at March 31, 2025.

In the 2026 fiscal year, the Company assessed whether there was any indication that the impairment loss recognized in the prior year may no longer exist or may have decreased and determined that no such indicators existed.

12. Due to related parties

	March 31, 2026	March 31, 2025
	\$	\$
Due to senior officers	3,765,592	3,615,401
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
	4,915,643	4,765,451
Less: current portion	(50,000)	(50,000)
	4,865,643	4,715,451

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

As at March 31, 2026, a balance of \$3,765,592 (\$2,629,958 principal and \$1,135,634 interest); March 31, 2025 - \$3,615,401 (\$2,479,767 principal and \$1,135,634 interest) remained owing to senior officers of the Company. A current senior officer contributed \$200,000 to Plaintree on a temporary and interest-free basis and is expected to be repaid within the following year. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During the year, payments in the amount of \$49,809 was repaid to senior officers. As of March 31, 2026, \$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.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

12. Due to related parties – Cont'd.

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 in 2025) of the dividend remains outstanding as at March 31, 2026. 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 March 31, 2026, interest in the amount of \$247,672 (\$247,672 in 2025) 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 March 31, 2026, a balance of \$398,388 (\$215,500 rent arrears and \$182,888 interest); March 31, 2025 - \$398,388 (\$215,500 rent arrears and \$182,888 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 March 31, 2026, \$NIL (\$NIL in 2025) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 in 2025) outstanding for a balance of \$242,598 (\$242,598 in 2025). 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 in 2025) 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 in 2025), on a loan from Targa remains outstanding as of March 31, 2025. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents paid to Tidal Quality Management Corp during the year ended March 31, 2026 totaled \$701,708 (2025 - \$992,140). The Company signed a new lease with Tidal during the fiscal year (see note 8). The Company paid a one-time lump sum payment of base rent on execution of the lease of \$200,000 which is recorded in prepaid expenses. The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties. See note 8 for additional details.

During the year, two directors provided consulting services for consideration of \$45,000 (2025 - \$35,000), which has been recorded as an expense in the year.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

13. Trade and other payables

Trade and other payables are comprised of the following:

	March 31, 2026	March 31, 2025
	\$	\$
Accounts payable	1,636,915	1,819,199
Accrued liabilities	400,178	253,523
Salaries and benefits payable	414,550	497,430
Taxes payable	252,460	21,379
	2,704,103	2,591,531

14. Share capital

Authorized, unlimited number

Common shares, voting

Class A preferred shares

Class A preferred shares entitled to a cumulative dividend, calculated on a redemption amount, payable in priority to dividends on common shares, redeemable at the option of the Company at any time at \$1000 per share plus 8% cumulative dividends, calculated on redemption amount, redeemable at the option of the Company at any time liquidation preference of the redemption value plus cumulative dividends (when and if declared) to common shares; non-voting. As of March 31, 2026, the accrued and unpaid dividends on Class A preferred shares were \$25,588,000 (\$24,122,000 in 2025).

Stock option plans

Stock options

Under the Company's Stock Option Plan, the Company is authorized to issue up to 12,000,000 stock options to its employees, officers, directors or consultants.

Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant and the maximum term of an option is ten years. Options are granted periodically and vest immediately on the date of grant.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

14. Share capital – Cont'd.

Information related to the share options outstanding at March 31, 2026 is presented below:

	Number of shares	Weighted average exercise prices
	#	\$
Options outstanding, beginning of year	880,000	0.11
Granted	0	0
Options outstanding, end of year	880,000	0.11

The following table summarizes information about stock options outstanding at March 31, 2026:

Options Outstanding				
Exercise Price	Number outstanding at March 31, 2026	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at March 31, 2026
\$	#		\$	#
0.11	880,000	3.72	0.11	880,000

During the year ended March 31, 2020, 880,000 stock options were granted to employees and directors of the Company at an exercise price of \$0.11 with an expiry date of December 16, 2029.

Grant Date	Options Granted	Stock Price	Exercise Price	Expected Life	Volatility	Dividend Rate	Risk Free Rate	Per-Share Weighted Average Fair Value
		\$	\$					\$
December 16, 2019	880,000	0.08	0.11	5 years	214%	0%	1.67%	0.08

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

15. 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 years ended March 31, 2026 and 2025, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options and convertible instruments.

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Net profit/(loss) from continuing and discontinued operations	2,455,782	(1,810,754)
Cumulative dividends on preferred shares - per annum	(1,466,000)	(1,466,000)
Net (loss) attributed to common shares (basic and diluted)	989,782	(3,276,754)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from continuing and discontinue operations	0.08	(0.25)
Net profit/(loss) from continuing operations	1,614,846	(1,394,695)
Cumulative dividends on preferred shares - per annum	(1,466,000)	(1,466,000)
Net profit/(loss) attributed to common shares (basic and diluted)	148,846	(2,860,695)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from continuing operations	0.01	(0.22)

16. Business segment information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic product, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$2,559,807 (2025 - \$4,189,355) in property, plant and equipment, \$2,559,807 (2025 - \$3,481,048) is located in Canada and \$NIL (2025 - \$708,307) in the United States. All the Company's intangible assets are primarily located in Canada.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

16. Business segment information – Cont'd.

Revenue by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Applied Electronics	4,110,958	4,644,318
Specialty Structures	13,245,421	16,794,427
	17,356,379	21,438,745

Revenue by geographical location

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Canada	8,829,494	10,578,881
United States	8,180,242	5,022,040
Other	346,643	5,837,825
Discontinued operations	813,304	2,408,449
	18,169,682	23,847,195

Net earnings (loss) before taxes by division

- Continuing operations

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Applied Electronics	87,257	(2,863,150)
Specialty Structures	1,527,589	1,468,455
	1,614,846	(1,394,695)

Loss on impairment by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	
Applied Electronics	0	995,621
Specialty Structures	0	0
	0	995,621

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

16. Business segment information – Cont'd.

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

	Twelve months ending	
	March 31, 2026	March 31, 2025
Number of customers	1	2
% of total revenue	10%	10%, 29%

Assets by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Applied Electronics	1,945,013	6,517,582
Specialty Structures	9,901,831	7,341,077

Intangibles by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Applied Electronics	24,184	0
Specialty Structures	24,184	0

17. Income taxes

Deferred income taxes reflect the impact of loss carry-forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts are measured by tax laws. The temporary differences and loss carry-forwards that gave rise to significant portions of the deferred tax asset, which have not been recognized, are as follows:

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

17. Income taxes – Cont'd.

	2026	2025
	\$	\$
Accounting depreciation in excess of tax	-	442,000
Intangible assets	937,000	184,000
Research and development expenses not deducted for tax	9,351,000	8,982,000
Losses available to offset future income taxes	11,632,000	13,826,000
Capital losses	192,000	192,000
Capital leases	-	212,000
Accruals	2,437,000	2,511,000
Other	-	451,000
	24,549,000	26,800,000

The effect of temporary differences and loss carryforwards that give rise to significant portions of the deferred tax asset, which have been recognized during the year ended March 31, 2026 are as follows:

	2025	Recognized in P&L	2026
	\$	\$	\$
Deferred tax assets			
Losses available to offset future taxes	-	174,000	174,000
Research and development expenses not deducted for tax	-	160,000	160,000
Deferred tax liabilities			
Accounting depreciation in excess of tax	-	(326,000)	(326,000)
Capital leases	-	(8,000)	(8,000)
	-	-	-

The Company has claimed less research and development expenses for income tax purposes than has been reflected in the financial statements. These unclaimed expenses total approximately \$9,991,000 (2025 - \$8,982,000) for Canadian federal and provincial tax purposes. These are available without expiry to reduce future years' taxable income.

As at March 31, 2026, the Company has approximately \$33,000 (2025 - \$33,000) of investment tax credits, relating primarily to research and development, available to reduce future year's Canadian federal income taxes. These potential benefits expire as follows:

	\$
2029	12,000
2030	16,000
2031	5,000
	33,000

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

17. Income taxes - Cont'd.

The provision for income taxes in the statement of comprehensive income differs from the amount computed by applying the Canadian statutory rate to the loss before income taxes for the following reasons:

	2026	2025
	\$	\$
Expected income tax expense (benefit)	403,619	(434,988)
Future rate changes	(1,375)	11,916
Permanent differences	4,914	273,115
Foreign rate differential	874	(31,431)
Deductible temporary differences previously unrecognized	(398,643)	188,729
Other (minimum tax, elimination, etc.)	9,389	14,038
Income tax expense	-	21,379
Current income tax expense	-	21,379
Future income tax expense	-	-
Income tax expense	-	21,379

The Company's subsidiary Summit Aerospace USA Inc. reported a tax expense of \$317,000 related to the gain on discontinuance of its operations.

The Company has non-capital losses available to reduce future years' Canadian federal taxable income totaling approximately \$12,379,000 (2025 - \$12,794,000). These potential benefits expire as follows:

2031	78,000
2032	513,000
2033	523,000
2034	582,000
2035	1,370,000
2036	1,556,000
2037	409,000
2038	398,000
2039	16,000
2040	269,000
2041	151,000
2042	71,000
2043	1,188,000
2044	170,000
2045	2,822,000
2046	988,000
	11,104,000

Welch LLP^{*}

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

17. Income taxes – Cont'd.

The Company has U.S. losses of approximately \$1,275,000 (2025 – \$1,032,000), which begin to expire in 2036.

18. Guarantees, commitments and contingencies

Guarantees

The Company has entered into agreements that contain features which meet the definition of a guarantee. The pronouncements define a guarantee to be a contract that contingently requires the Company to make payments (either in cash, financial instruments, other assets, common shares of the Company or through the provision of services) to a third party based on changes in an underlying economic characteristic (such as interest rates or market value) that is related to an asset, a liability or an equity security of the other party.

Leases

See note 8 for lease commitments.

Product warranties

As part of the normal sale of product, the Company provides its customers with standard one-year product warranties. The Company currently has parts only warranty obligations that are included with the normal sale of the product. A warranty provision of \$35,417 has been recognized (\$35,417 in 2025).

Bank facilities

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, subject to interest on balance outstanding of prime plus 0.75%. The total amount available to the Company as at March 31, 2026 was \$2,477,085 CAD of which \$23,325 was in use leaving \$2,453,760 CAD available. This facility is secured by a \$3,000,000 guarantee from Export Development Canada ("EDC") as well as EDC trade credit insurance over accounts receivable. 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 EDC Performance Security Guarantee of which \$1,689,721 CAD was in use at March 31, 2026. The Company has in place a credit facility of up to \$2,000,000 CAD to assist with financing of new and used equipment secured by the related equipment being financed. As at March 31, 2026 \$694,820 CAD was in use leaving \$1,305,180 CAD available (Note 8 Lease obligations). The Company also has in place a \$225,000 credit card facility.

The credit facilities referenced above are secured by a first ranking general security agreement over all assets of the Company, its subsidiaries and Tidal Quality Management Corp., postponement agreements from the related parties disclosed in note 12 and unlimited guarantees provided by the Company's subsidiaries and Tidal Quality Management Corp. The credit facilities are subject to certain covenants, which the Company was in compliance as at March 31, 2026. Refer to Note 7 and Note 8 for details.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

18. Guarantees, commitments and contingencies – Cont'd.

Contractual obligations

The following table provides a summary of the Company's obligations outstanding as at March 31, 2026:

Payments due by period

	Total	Current	2027	Thereafter
	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,704,103	2,704,103		
Due to related parties - convertible debentures	247,672		247,672	
Due to related parties - other	4,223,980	50,000	4,173,980	
Due to related parties - line of credit	242,598		242,598	
Due to related parties - demand loan	201,393		201,393	
Lease commitments	694,820	350,908	343,913	
Long-term debt	99,543	49,065	50,477	
	8,414,109	3,154,076	5,260,033	-

19. Financial instruments

Fair value hierarchy

Financial instruments recorded at fair value on the Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

19. Financial instruments – Cont'd.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash is classified as a Level 1 financial instrument. During the year, there has been no significant transfer of amounts between Level 1 and Level 2. There are no items classified in Level 2 or 3 other than the Elmira CGU recoverable amount.

The Company has exposure to credit risk, market risk and liquidity risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, sound business practices and on occasion derivative financial instruments.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers, and others from outstanding trade receivables and unbilled revenue. The objective of managing counterparty credit risk is to prevent losses on financial assets, specifically cash, trade receivables and unbilled revenue. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Cash

Cash consists of bank deposits. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in highly rated financial institutions.

Accounts receivable

Accounts receivable consists primarily of trade receivables. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

This risk is mitigated through established credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The carrying amount of trade receivables are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of comprehensive earnings. When a receivable balance is considered uncollectible, it is written off against the allowance for trade receivables.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

19. Financial instruments – Cont'd.

Maximum credit risk is limited to the balance in cash, trade receivables and unbilled revenue totaling \$4,721,830 (\$5,598,648 in 2025). As at March 31, 2026, trade receivables were comprised of one company totaling 10% respectively (two companies totaling 32% and 11% respectively in 2025). As at March 31, 2026, the Company's ageing of accounts receivable was approximately 81% (91 % -2025) under sixty days, 11% (5% in 2025); over 60 - 90 days and 8% (4% March 31, 2025) over 90 days and the allowance for doubtful accounts was \$221,301 (\$61,651 in 2025) relating to unpaid rent by a tenant.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations.

Interest risk

The Company is financed through loans from related parties and bank loans, which bear interest at rates tied to the Canadian bank prime rate. The Company's exposure to interest rate risk relates primarily to variable interest rates on the Company's credit facilities as disclosed in note 18.

Foreign currency risk

There is a risk to the Company's earnings that arises from fluctuations in foreign exchange rates, and the degree of volatility of these rates. The Company's financial results are reported in Canadian dollars. The Company is exposed to foreign exchange fluctuations against the Canadian dollar as sales are primarily denominated in U.S. dollars and other foreign currencies, while expenditures are primarily denominated in Canadian dollars. The Company did not use derivative financial instruments to manage this risk. For the year ended March 31, 2026, the Company had a foreign exchange loss of \$207,483 (gain of \$94,729 in 2025). A 10% change in the value of the U.S. dollar against the Canadian dollar would have an approximate foreign exchange gain or loss of \$104,542 and \$121,862 for the fiscal years ended March 31, 2026 and 2025, respectively.

Assets and liabilities denominated in U.S. dollars are as follows:

US MONETARY

	March 31, 2026	March 31, 2025
	\$	\$
Cash	873,306	623,472
Trade receivables	453,489	1,135,128
Prepaid Expenses and Other Receivables	3,000	45,263
Trade and other payables	(306,954)	(376,115)
Long-term debt	(272,845)	(705,065)
	<u>749,995</u>	<u>722,683</u>

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

19. Financial instruments – Cont'd.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains a positive working capital position. The Company aims to maintain a current ratio, defined as current assets over current liabilities, of at least 1:1.

The Company generally makes semi-monthly payments to vendors. As at March 31, 2026, 100% of the Company's undisputed accounts payable were current. The vast majority of accounts payable fall due for payment within forty-five days.

Fair values

The carrying amounts for cash, trade accounts receivable, and accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments or the terms of the instrument. The carrying amount for the long-term debt approximated fair value as the interest rate was reflective of rates currently available for similar debt.

20. Key Management Personnel Compensation

Key management personnel are those people who have the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the Company CEO, COO and CFO. The CEO controls approximately 34.4% of the outstanding shares of the Company. Compensation provided to key management is as follows:

	March 31, 2026	March 31, 2025
	\$	\$
Wages and Consulting Fees	495,692	502,967
Health benefits	10,692	10,852
	506,384	513,819

If terminated for other than just cause, the chief executive officer is entitled to eighteen months payment at the rate in effect at the time of termination, and the chief operations officer as well as the chief financial officer are entitled to twelve months payment at the rate in effect at the time of termination.

21. Revenue

The Company derives its revenue principally from the provision of customized electronics and specialty structure services under fixed price contracts. Revenue is generally recorded as the work progresses using the percentage of completion method. The contract period for the electronics contracts is generally short with the performance obligation provided over time and billed on completion and delivery. The contract period for the Specialty Structures contracts can extend beyond a year with progress billings incorporated into the terms of the customer contract. Payment is generally due on issuance of the invoice. The company also receives deposits related to revenue recorded at a point in time. Deferred revenue is generally comprised of progress billings related to the Specialty Structures and Applied Electronics contracts.

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

21. Revenue – Cont'd.

The following table presents the changes in deferred revenue:

	\$
Opening balance, March 31, 2025	1,267,908
Revenue Recognized	(1,229,200)
Amounts invoiced and deferred as at March 31, 2026	1,854,918
Balance, March 31, 2026	1,893,626

Disaggregation of revenue

	March 31, 2026 \$	March 31, 2025 \$
<i>Applied Electronics – Continuing Operations</i>		
Revenue recognized at a point in time	2,119,165	1,981,603
Revenue recognized over time	1,991,793	2,662,715
	4,110,958	4,644,318
<i>Specialty Structures – Continuing Operations</i>		
Revenue recognized over time	13,245,421	16,794,427
<i>Specialty Structures – Discontinued Operations</i>		
Revenue recognized over time	813,304	2,408,450
	14,058,725	19,202,877

Geographic breakdown of revenues:

	March 31, 2026 \$	March 31, 2025 \$
Canada	7,204,111	10,578,880
United States	8,250,239	5,022,040
Other	1,902,030	5,837,825
Total revenue from continuing operations	17,356,379	21,438,745
	\$	\$
Canada	0	0
United States	813,304	2,408,450
Other	0	0
Total revenue from discontinued operations	813,304	2,408,450

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

22. Personnel expenses

The following table presents the personnel expenses of the Company:

	March 31, 2026	March 31, 2025
	\$	\$
<i>Continuing operations</i>		
Salaries including bonuses	4,942,274	5,717,992
Benefits	451,957	454,816
Commissions	298,355	168,056
	5,692,586	6,340,864
<i>Discontinued Operations</i>		
Salaries including bonuses	1,030,251	1,371,078
Benefits	200,893	393,245
Commissions	11,546	25,952
	1,242,690	1,790,275

23. Depreciation

The following table presents the depreciation expenses by function:

	March 31, 2026	March 31, 2025
	\$	\$
Cost of goods sold	896,010	1,211,350
Selling and marketing	115,550	277,003
Engineering and design	168,307	165,120
General and administrative	3,346	2,741
	1,183,213	1,656,214

Plaintree Systems Inc.

Notes to the consolidated financial statements

March 31, 2026 and March 31, 2025

(In Canadian dollars)

24. Legal Proceedings

During the fiscal year 2024, a legal claim against the Company in the amount of \$400,000 was filed by the former owners of Elmira Stove Works. Based on legal opinions and management's assessment, it is probable that the Company will be successful in negating the payment obligation, and therefore no provision has been recognized in the consolidated financial statements. Management believes the risk of an adverse outcome is minimal; however, should the litigation outcome be unfavorable, the Company may be required to recognize a liability in future periods. A counterclaim in the amount of \$1,800,000 has been filed, but no amount has been recorded with respect to the counterclaim.

The Company is a defendant in an arbitration proceeding commenced in November 2025 by Mosaic Potash Colonsay ULC in connection with the failure of a structure constructed more than a decade ago at the Colonsay facility in Saskatchewan. The claimant is seeking damages in excess of \$25 million in respect of the incident.

Management has conducted a preliminary review of the matter and disputes the allegations advanced in the arbitration. Based on information currently available, Management does not believe the Company is responsible for the failure and intends to vigorously defend the claim.

The matter has been reported to the Company's commercial general liability and excess liability insurers. The insurers have agreed to provide a defense under a reservation of rights in the case of damages related to professional services. Accordingly, there can be no assurance that insurance coverage will be available for all costs or any damages that may arise in connection with this matter.

Given the early stage of the arbitration and the inherent uncertainties associated with such proceedings, the ultimate outcome cannot presently be determined. Based on Management's current assessment, no provision has been recognized in these financial statements, as Management does not consider it probable that an outflow of economic resources will be required. The matter has therefore been disclosed as a contingent liability.

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

PLAINTREE SYSTEMS INC.

For the twelve months ended March 31, 2026 and March 31, 2025

Date: July 23, 2026

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 of a majority of independent directors.

The following discussion of the financial condition, changes in financial condition, and results of operations of Plaintiff is for the twelve months ended March 31, 2026, and 2025. Historical results of operations, percentage relationships, and any trends that may be inferred therefrom 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 July 23, 2026, 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 oversight with respect to all public financial disclosures by the Company and have reviewed this Management's Discussion and Analysis (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.

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

Caution Regarding Forward Looking Information

This MD&A of the Company contains certain statements that, to the extent not based on historical events, are forward-looking statements based on certain assumptions and reflect Plaintiff's current expectations. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions, and statements regarding growth strategy and future-oriented project revenue, costs and expenditures. Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. A variety of inherent risks, uncertainties and factors, many of which are beyond Plaintiff's control, affect the operations, performance and results of Plaintiff and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include the impact or unanticipated impact of: companies evaluating Plaintiff's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the jurisdictions where Plaintiff operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the 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; 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". Plaintiff 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 the Elmira Stove Works business, as well as a Specialty Structures division consisting of the Triodetic business and Spotton Corporation. The Hypernetics business manufactures avionic components for various applications, including aircraft anti-skid braking systems, aircraft indicators, solenoids, and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum, and stainless-steel specialty structures, including commercial domes, free-form structures, barrel vaults, space frames, and industrial dome coverings. 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.

Until July 2026, the Applied Electronics segment included Summit Aerospace USA Inc. ("Summit Aerospace"), a machine shop serving the aerospace sector. The assets and liabilities associated with this business were disposed of during the fiscal year.

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 reliably.

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

Selected Interim Financial Information

The 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)

	Twelve months ended	
	March 31, 2026	March 31, 2025
	(audited)	(audited)
Revenue - continuing operations	17,356	21,439
Net earnings (loss) and comprehensive earnings (loss) - continuing operations	1,615	(1,395)
Net earnings (loss) and comprehensive earnings (loss) - discontinued operations net of taxes	841	(416)
Net earnings (loss) attributed to common shareholders	990	(3,277)
Basic and diluted earnings (loss) per share	0.08	(0.25)

(\$000s, except per share amounts)

	March 31, 2026	March 31, 2025
	(audited)	(audited)
	\$	\$
Total assets	11,847	13,859
Total liabilities	10,308	14,775
Long-term liabilities	5,260	5,103
Cash dividends declared per share	nil	nil

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

Results from Operations

(\$000s)

	Twelve months ended		
	March 31, 2026	March 31, 2025	Change from
	(audited)	(audited)	
	\$	\$	\$
Revenue	17,356	21,439	(4,082)
Cost of sales	11,132	16,511	(5,378)
Gross margin	6,224	4,928	1,296
	36%	23%	
Operating expenses:			
Engineering and design	1,670	1,837	(167)
Finance and administration	1,090	1,947	(858)
Sales and marketing	1,207	1,484	(278)
Bad debts	141	27	114
(Gain) on disposal of assets	-	(136)	136
Interest expense	295	241	54
Loss/(Gain) on foreign exchange	207	(95)	302
Loss on Impairment	-	996	(996)
	4,609	6,302	(1,692)
Tax expense	-	21	(21)
Net earnings and comprehensive earnings (loss) from continuing operations	1,615	(1,395)	3,010
Net earnings (loss) from discontinued operations net of tax	841	(416)	1,257
Net earnings and comprehensive earnings (loss)	2,456	(1,811)	3,010

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

Discontinued Operations

During the year ended March 31, 2026, the Company completed the sale of substantially all operating assets of Summit Aerospace USA Inc (Summit). Summit had previously been classified as held for sale and reported as part of the Applied Electronics segment. The disposal represented the Company's exit from the Summit operations. As at March 31, 2026, no non-current assets remained classified as held for sale. Gross proceeds from the sale were \$3,393,530 with a gain on sale of \$2,863,384 resulting in a tax expense of \$317,000. The remaining balances consist primarily of cash and taxes payable.

Business segment information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic product, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$2,559,807 (2025 - \$4,189,355) in property, plant and equipment, \$2,559,807 (2025 - \$3,481,048) is located in Canada and \$NIL (2025 - \$708,307) in the United States. All the Company's intangible assets are primarily located in Canada.

Revenue by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Applied Electronics	4,110,958	4,644,318
Specialty Structures	13,245,421	16,794,427
	17,356,379	21,438,745

Revenue by geographical location

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Canada	8,829,494	10,578,881
United States	8,180,242	5,022,040
Other	346,643	5,837,825
Discontinued operations	813,304	2,408,449
	18,169,682	23,847,195

Net earnings (loss) before taxes by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
- Continuing operations	\$	\$
Applied Electronics	87,257	(2,863,150)
Specialty Structures	1,527,589	1,468,455
	1,614,846	(1,394,695)

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

Business segment information - Cont'd.

Loss on impairment by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	
Applied Electronics	0	995,621
Specialty Structures	0	0
	0	995,621

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

	Twelve months ending	
	March 31, 2026	March 31, 2025
Number of customers	1	2
% of total revenue	10%	10%, 29%

Assets by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Applied Electronics	1,945,013	6,517,582
Specialty Structures	9,901,831	7,341,077

Intangibles by division

	Twelve months ending	
	March 31, 2026	March 31, 2025
	\$	\$
Applied Electronics	24,184	0
Specialty Structures	24,184	0

Revenues

Total product revenue from ongoing operations for the first twelve months of fiscal 2026 was \$17,356,379 compared to \$21,438,746 for the first twelve months of fiscal 2025. Discontinued operations had \$813,304 for the first twelve months of fiscal 2026 compared to \$2,408,449 in fiscal 2025.

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

Plaintree's Applied Electronics Division revenues from operations decreased in the first twelve months of fiscal 2026 to \$4,110,958 compared to \$4,644,318 in the first twelve months of fiscal 2025.

Plaintree's Specialty Structures Division revenues from operations decreased to \$13,245,421 in the first twelve months of fiscal 2026 from \$16,794,428 in the first twelve months of fiscal 2025.

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

Gross Margin

Total gross margin increased during the first twelve months of fiscal 2026, to 24% compared to 22% for fiscal 2025 due in part to the project mix in the Specialty Structures segment and the elimination of an unprofitable business segment as shown in the discontinued operations note.

Operating Expenses

Engineering and design expenses

Engineering and design expenses were \$1,669,628 and \$1,836,994 for the first twelve months of fiscals 2026 and 2025, respectively. Engineering and design expenditures consist primarily of development engineering and personnel expenses. The decrease is due in part to lower sales and production activity.

Finance and administration expenses

Finance and administration expenses were \$1,089,632 and \$1,947,415 for the first twelve months of fiscals 2026 and 2025, respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which include financial staff, legal, and audit activities. The decrease is due in part to reduced use of professional services, staffing changes, management fees related to discontinued operations and lower banking fees.

Sales and marketing expenses

Sales and marketing expenses were \$1,206,545 and \$1,484,314 for the first twelve months of fiscals 2026 and 2025, respectively. These expenses consisted primarily of personnel and related costs associated with the 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 directly to revenues.

Bad debts

An allowance for doubtful accounts has been accrued in the amount of \$141,284 and \$26,920 for the first twelve months of fiscals 2026 and 2025, respectively, to reflect potentially uncollectable amounts. This relates to a tenant that has sublet office space and is more than twelve months in arrears. Subsequent to March 31, 2026 the bank of the tenant has requested the appointment of a Receiver.

Loss on impairment

An impairment was recorded in the amount of \$NIL and \$995,621 for the first twelve months of fiscals 2026 and 2025, respectively, to reflect a reduction in recoverable value. This relates to intangible assets held by the Elmira Cash Generating Unit.

Interest expense

Interest expense consists of interest incurred on bank debt. Interest expenses amounted to \$294,863 and \$241,282 for the first twelve months of fiscals 2026 and 2025 respectively. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

Loss (Gain) on foreign exchange

The Company reported a loss on foreign exchange of \$207,483 and a gain of \$(94,729) in the first twelve months of fiscals 2026 and 2025, respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized, of transactions and period-end foreign balances that are completed in currencies other than the Company's reporting currency.

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

Net earnings, Comprehensive earnings and Net earnings Attributable to Common Shareholders

Net earnings and comprehensive earnings attributed to common shareholders for first twelve months of fiscal 2026 was \$989,782 and Net loss and comprehensive loss attributed to common shareholders for fiscal 2025 was \$(3,276,754). Net income (loss) attributed to common shareholders is calculated by reducing net income by the \$1,466,000 cumulative dividends (\$366,500 per quarter) that accrue 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 March 31, 2026 the accrued and unpaid dividends on the Class A preferred shares were \$25,588,000 (March 31, 2025 - \$24,122,000).

Quarterly Results

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2026 and 2025:

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

	Mar-31 2026 Q4 2026	Dec-31 2025 Q3 2026	Sep-30 2025 Q2 2026	Jun-30 2025 Q1 2026	Mar-31 2025 Q4 2025	Dec-31 2024 Q3 2025	Sep-30 2024 Q2 2025	Jun-30 2024 Q1 2025
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue (1)	3,495	3,635	4,691	5,535	4,523	4,075	6,230	6,611
Net earnings (loss) and total comprehensive earnings (loss)	1420	(453)	924	1055	(2221)	292	(578)	1111
Net (loss) earnings attributed to common shareholders	1,053	(819)	558	689	(2,587)	(74)	(944)	745
Basic and diluted (loss) earnings per share	0.08	(0.06)	0.04	0.05	(0.20)	(0.01)	(0.07)	0.06

(1) Revenue of discontinued operations has been removed for all periods.

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

Liquidity and Capital Resources

(\$000s)	March 31, 2026 (audited)	March 31, 2025 (audited)	Change
	\$	\$	\$
Cash	1,645	(2,700)	4,346
Working Capital	4,191	(3)	4,194

	March 31, 2026 (audited)	March 31, 2025 (audited)	Change
	\$	\$	\$
Net cash provided by (used in) :			
Operating activities	3,702	1,059	2,643
Investing activities	3,118	(557)	3,675
Financing activities	(2,475)	(1,322)	(1,152)

Cash

As at March 31, 2026, the Company had a cash balance of \$1,645,307 an increase in cash of \$4,345,539 from \$(2,700,232) at March 31, 2025.

Working Capital

Working capital represents current assets less current liabilities. As at March 31, 2026, the Company had working capital of \$4,190,967 compared to a working capital of \$(3,097) at March 31, 2025. The company was in full compliance with its loan covenants as of March 31, 2026, but this was not the case for the respective period during fiscal 2025 where \$1,407,954 that would otherwise be considered long-term debt was reclassified as current. In September Summit Aerospace was classified as held for sale and ultimately presented as discontinued operations with a net gain of \$2,863,384 (see note 4).

Operating activities

Cash provided by operating activities for the first twelve months ended in fiscal 2026 was \$3,702,436, representing an increase of \$2,643,411 from cash provided of \$1,059,025 for the respective period during fiscal 2025. Cash provided during the period reflects strong operating profits, proceeds from discontinued operations, timing impacts from unbilled revenues, and changes in inventory, payables and receivables.

Investing activities

Cash used in investing activities for the twelve months ended in fiscal 2026 was \$3,117,756, an increase of \$3,675,123 compared with cash used of \$557,367 in the corresponding period of fiscal 2025. Investing cash outflows in fiscal 2026 related primarily to purchases of manufacturing equipment, leasehold improvements and expenditures on general-purpose patents while the inflows are primarily from the proceeds of asset sales related to discontinued operations.

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

Financing activities

Cash used in financing activities for the twelve months ended in fiscal 2026 was \$2,474,653, an increase of \$1,152,300 compared with cash used of \$1,322,353 in the corresponding period of fiscal 2025. Financing cash outflows in fiscal 2026 related primarily to repayments of long-term debt and lease liabilities. These repayments included loans and leases associated with discontinued operations (see Note 4), as well as \$764,647 in repayments in loans held by continuing operations.

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, subject to interest on balance outstanding of prime plus 0.75%. The total amount available to the Company as at March 31, 2026 was \$2,477,085 CAD of which \$23,325 was in use leaving \$2,453,760 CAD available. This facility is secured by a \$3,000,000 guarantee from Export Development Canada ("EDC") as well as EDC trade credit insurance over accounts receivable. 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 EDC Performance Security Guarantee of which \$1,689,721 CAD was in use at March 31, 2026. The Company has in place a credit facility of up to \$2,000,000 CAD to assist with financing of new and used equipment secured by the related equipment being financed. As at March 31, 2026 \$694,820 CAD was in use leaving \$1,305,180 CAD available (Note 8 Lease obligations). The Company also has in place a \$225,000 credit card facility.

The credit facilities referenced above are secured by a first ranking general security agreement over all assets of the Company, its subsidiaries and Tidal Quality Management Corp., postponement agreements from the related parties disclosed in note 12 and unlimited guarantees provided by the Company's subsidiaries and Tidal Quality Management Corp. The credit facilities are subject to certain covenants, which the Company was in compliance as at March 31, 2026. Refer to Note 7 and Note 8 for details.

Due to related parties

	March 31, 2026	March 31, 2025
	\$	\$
Due to senior officers	3,765,592	3,615,401
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
	4,915,643	4,765,451
Less: current portion	(50,000)	(50,000)
	4,865,643	4,715,451

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

As at March 31, 2026, a balance of \$3,765,592 (\$2,629,958 principal and \$1,135,634 interest); March 31, 2025 - \$3,615,401 (\$2,479,767 principal and \$1,135,634 interest) remained owing to senior officers of the Company. A current senior officer contributed \$200,000 to Plaintree on a temporary and interest-free basis and is expected to be repaid within the following year. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During the year, payments in the amount of \$49,809 was repaid to senior officers. As of March 31, 2026, \$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.

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

Due to related parties - Cont'd.

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 in 2025) of the dividend remains outstanding as at March 31, 2026. 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 March 31, 2026, interest in the amount of \$247,672 (\$247,672 in 2025) 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 March 31, 2026, a balance of \$398,388 (\$215,500 rent arrears and \$182,888 interest); March 31, 2025 - \$398,388 (\$215,500 rent arrears and \$182,888 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 March 31, 2026, \$NIL (\$NIL in 2025) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 in 2025) outstanding for a balance of \$242,598 (\$242,598 in 2025). 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 in 2025) 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 in 2025), on a loan from Targa remains outstanding as of March 31, 2025. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents paid to Tidal Quality Management Corp during the year ended March 31, 2026 totaled \$701,708 (2025 - \$992,140). The Company signed a new lease with Tidal during the fiscal year (see note 8). The Company paid a one-time lump sum payment of base rent on execution of the lease of \$200,000 which is recorded in prepaid expenses. The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties. See note 8 for additional details.

During the year, two directors provided consulting services for consideration of \$45,000 (2025 - \$35,000), which has been recorded as an expense in the year.

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

Legal Proceedings

During the fiscal year 2024, a legal claim against the Company in the amount of \$400,000 was filed by the former owners of Elmira Stove Works. Based on legal opinions and management's assessment, it is probable that the Company will be successful in negating the payment obligation, and therefore no provision has been recognized in the consolidated financial statements. Management believes the risk of an adverse outcome is minimal; however, should the litigation outcome be unfavorable, the Company may be required to recognize a liability in future periods. A counterclaim in the amount of \$1,800,000 has been filed, but no amount has been recorded with respect to the counterclaim.

The Company is a defendant in an arbitration proceeding commenced in November 2025 by Mosaic Potash Colonsay ULC in connection with the failure of a structure constructed more than a decade ago at the Colonsay facility in Saskatchewan. The claimant is seeking damages in excess of \$25 million in respect of the incident.

Management has conducted a preliminary review of the matter and disputes the allegations advanced in the arbitration. Based on information currently available, Management does not believe the Company is responsible for the failure and intends to vigorously defend the claim.

The matter has been reported to the Company's commercial general liability and excess liability insurers. The insurers have agreed to provide a defense under a reservation of rights in the case of damages related to professional services. Accordingly, there can be no assurance that insurance coverage will be available for all costs or any damages that may arise in connection with this matter.

Given the early stage of the arbitration and the inherent uncertainties associated with such proceedings, the ultimate outcome cannot presently be determined. Based on Management's current assessment, no provision has been recognized in these financial statements, as Management does not consider it probable that an outflow of economic resources will be required. The matter has therefore been disclosed as a contingent liability.

Facilities

The Company leases a 135,500 sq. /ft. building at 10 Didak Drive in Arnprior, Ontario.

Until January 2026, the Company, along with its wholly-owned US subsidiary, owned a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA. This facility was sold in January 2026.

Summary of Outstanding Share Data

As at July 23, 2026 the following equity instruments of the Company were issued and outstanding:

Common Shares: 12,925,253

Class A Preferred Shares: * 18,325

* The Class A Preferred shares provide an 8% cumulative dividend based on a value of \$1,000 per share, are redeemable at the option of the Company at any time at \$1,000 per share plus accrued dividends and they are non-voting.

Convertible Debentures:** \$nil principal value

** The Company has issued various tranches of convertible debentures to related parties for total outstanding value at March 31, 2026 of \$247,672 in accrued interest only. Interest is convertible in cash only.

Options:*** 880,000

Additional information relating to the Company may be found on SEDAR at www.sedarplus.ca or the Company's website at www.plaintree.com.

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

Lynn Saunders
Chief Operating 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., 8th 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 Listing

CSE: NPT