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

PLAINTREE SYSTEMS INC.

For the years ended March 31, 2015 and 2014

Date – July 20, 2015

The following discussion and analysis is the responsibility of management and has been reviewed by the Audit Committee of Plaintree Systems Inc ("Plaintree" or the "Company") and approved by the Board of Directors of Plaintree. The Board of Directors carries out its responsibilities for the financial statements and management's discussion and analysis principally through the Audit Committee, which is comprised exclusively of independent directors.

The following discussion of the financial condition, changes in financial condition and results of operations of Plaintree is for the years ended March 31, 2015 and 2014. Historical results of operations, percentage relationships and any trends that may be inferred there from are not necessarily indicative of the operating results of any future periods. Unless otherwise stated all amounts are in Canadian dollars following the requirements of the International Financial Reporting Standards ("IFRS).The information contained herein is dated as of July 20, 2015 and is current to that date, unless otherwise stated. Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the annual filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed this MD&A and the accompanying financial statements.

W. David Watson II, President and Chief Executive Officer, and Lynn E. Saunders, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI52-109"), have both certified that they have reviewed the annual financial statements and this MD&A ("the annual Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the annual filings; and (b) the annual financial statements together with the other financial information included in the annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the dates and for the periods presented in the annual Filings.

Investors should be aware that the inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Caution Regarding Forward Looking Information

This MD&A of the Company contains certain statements that, to the extent not based on historical events, are forward-looking statements based on certain assumptions and reflect Plaintree's current expectations. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions, and statements regarding growth strategy and future-oriented project revenue, costs and expenditures. Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. A variety of inherent risks, uncertainties and factors, many of which are beyond Plaintree's control, affect the operations, performance and results of Plaintree and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these

risks, uncertainties and factors include the impact or unanticipated impact of: companies evaluating Plaintree's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the jurisdictions where Plaintree operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the industry; technological change; currency value fluctuation; general economic conditions worldwide, including in China; Plaintree's success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels. This list is not exhaustive of the factors that may affect any of Plaintree's forward-looking statements. Plaintree undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise. Readers are cautioned not to put undue reliance on forward-looking statements. Readers should also carefully review the risks concerning the business of the Company and the industries in which it operates generally described in the documents filed from time to time with Canadian securities regulatory authorities.

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

Overview

Plaintree Systems Inc. ("Plaintree" or the "Company") was incorporated in Canada under the Canada Business Corporation Act and is publicly traded on the CSE under "NPT". The Company operates an Electronics division (the Hypernetics business, the free space optics business and Summit Aerospace USA Inc business) and a Specialty Structures division (the Triodetic business, Arnprior Fire Trucks Corp. and Spotton Corp.). Plaintree was historically a designer and manufacturer of wireless connections transmitting data on beams of light versus conventional radio frequency, commonly referred to as free space optics ("FSO"). The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft instrument indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames and industrial dome coverings. On May 23, 2013 the Company completed the acquisition of a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA, where they have continued the operation of Summit, a wholly-owned subsidiary of Plaintree which specializes in the high end machining of super-alloys for the aircraft and helicopter markets. On April 1, 2014 Plaintree acquired all the share capital of Spotton Corporation ("Spotton"). Spotton's business involves the design and manufacture of high end custom hydraulic and pneumatic valves and cylinders for the industrial and oil and gas markets. The address of the Company's registered office and principal place of business is 10 Didak Drive, Arnprior, Ontario.

Recent Developments

On July 20, 2015, the Corporation, through a wholly-owned subsidiary, acquired the assets and businesses of Madawaska Doors Inc., including a building located in Barry's Bay, Ontario, for a total purchase price of $280,000. The business of Madawaska Doors Inc. involves the manufacturing and selling of high quality, 100% natural solid wood custom doors and related parts and material. The Corporation intends to carry on the business of Madawaska Doors Inc. through its wholly-owned subsidiary.

On December 31, 2014 the Company recorded a write-down on a related party debt after Targa forgave a loan in the amount of $2,099,825 and accumulated interest of $88,903 for a total of $2,188,728.

On May 23, 2013 the Company along with its wholly-owned US subsidiary completed the acquisition of a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA. The Company increased its credit facility with its bankers (HSBC Bank USA) and obtained a short-term loan from a related party for the purposes of financing the $1.1M acquisition. The relocation of Summit Aerospace USA Inc. was completed in June 2014.

On April 1, 2014, the Company has reorganized the non-US sales activities of Triodetic and all of the sales activities in relation to non-US business will be dealt with by Triodetic Ltd., a wholly-owned subsidiary of Plaintree. Plaintree's Triodetic division will still continue to manufacture the structures to be sold through Triodetic Ltd.

On March 31, 2014, the Company acquired all of the shares of Spotton Corporation for $120.

The Company's common shares are quoted on the CSE under symbol "NPT" in Canada.

Control Activities

For all changes to policies and procedures that have been identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures has been assessed and any required changes have been implemented.

($000s, except per share amounts)

	March 31, 2015	**March 31, 2014**
	$	$
Total assets	**14,593**	14,269
Total liabilities	**12,809**	14,174
Long-term liabilities	**6,590**	7,580
Cash dividends declared per share	**nil**	nil

Selected Annual Financial Information

($000s, except per share amounts)

	March 31, 2015	**March 31, 2014**
	$	$
Revenue	**19,319**	20,804
Net (loss) income and total comprehensive (loss) income	**(401)**	(1,711)
Net loss attributed to common shareholders	**(1,584)**	(3,177)
Basic and diluted loss per share	**(0.14)**	(0.24)

The Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with IFRS. The following table sets forth selected financial information from the Company's fiscal 2015 financial statements:

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Results of Operations

	Plaintree Systems Inc. ($000s, except per share and % amounts) Fiscal Year		Change from
	2015	2014	**2014 to 2015**
	$	$	$
Revenue	**19,319**	20,804	(1,485)
Cost of sales	**15,817**	18,101	(2,284)
Gross margin	**3,502**	2,703	799
	18%	12%	
Operating expenses:			
Research and development	**1,451**	1,407	44
Finance and administration	**1,167**	1,229	(62)
Sales and marketing	**931**	705	226
Bad debt	**17**	119	(102)
Interest expense	**498**	288	210
Gain on sale of property, plant and equipment	**(3)**	(2)	(1)
Loss (gain) on foreign exchange	**(60)**	100	(160)
	4,001	3,846	155
Net (loss) income before other expenses and income taxes	**(499)**	(1,143)	644
Other expenses			
Forgiveness of debt owing to related party	**(98)**	-	(98)
Write-down of due from related party		568	(568)
Net (loss) income before income taxes	**(401)**	(1,711)	1,310
Net (loss) income and comprehensive (loss) income	**(401)**	(1,711)	1,310

Business Segment Information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic products, and the specialty structural products. From time to time, the Company provides management services primarily to related companies. The revenue and cost of sales related to these services are presented in the statement of comprehensive (loss) income. No other expenses or assets are attributable to this segment. The Company determines the geographic location of revenues based on the location of its customers. Of the total balance of $6,280,844 in property, plant and equipment $3,070,938 is located in Canada and $3,209,906 in the United States. All of the Company's intangible assets are located in Canada.

The write down of the related party debt (2014 - $(568,158)) relates to the Electronics segment. The forgiveness of debt from a related party (2015 - $97,600) relates to the Specialty Structures segment.

Revenues by division

	2015	2014
	$	$
Electronics	**6,642,265**	5,656,151
Specialty structures	**12,676,518**	15,147,451
	19,318,783	20,803,602

Net income (loss) before taxes by division

	2015	2014
	$	$
Electronics	**667,561**	420,271
Specialty structures	**(1,068,912)**	(1,563,483)
	(401,351)	(1,143,212)

Revenues by geographical location

	2015	2014
	$	$
Canada	**10,664,137**	15,054,547
United states	**6,648,845**	4,731,998
Peru	**1,637,213**	-
Other	**368,588**	1,017,057
	19,318,783	20,803,602

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

	2015	2014
	$	$
Number of customers	**2**	2
% of total revenue	**11%, 13%**	11%, 34%

Revenues

Revenue

Total product revenue for fiscal 2015 was $19,318,783 compared to $20,803,602 in fiscal 2014.

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

Plaintree's Electronics Division revenue increased to $6,642,265 in fiscal 2015 from $5,656,151 in fiscal 2014. The increase is in part the result of a strong currency conversion on US sales in the Summit Aerospace business and the Hypernetics division.

Plaintree's Specialty Structures Division revenue decreased to $12,676,518 in fiscal 2015 from $15,147,451 in fiscal 2014. The decrease is a direct result of two larger projects in the Triodetic business during the previous fiscal year.

Gross Margin

Total gross margin increased in fiscal 2015 to 18% from 12% in fiscal 2014.

Inventory write-downs of $37,084 and $213,093 in fiscals 2015 and 2014 are included in the cost of sales.

Operating Expenses

Research and development expenses

Research and development expenses were $1,451,386 and $1,407,291 in fiscals 2015 and 2014 respectively. Research and development expenditures consist primarily of development engineering and personnel expenses.

Research and development expenses are expected to remain at comparable levels throughout fiscal 2016.

Finance and administration expenses

Finance and administration expenses were $1,167,432 and $1,229,013 in fiscals 2015 and 2014 respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which included financial staff, legal and audit activities.

Amortization of intangibles related to the business of Summit Aerospace is the primary reason for the increase in finance and administration expenses.

Finance and administration expenses are expected to remain at comparable levels throughout fiscal 2016.

Sales and marketing expenses

Sales and marketing expenses were $931,209 and $705,028 in fiscals 2015 and 2014 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.

Sales and marketing expenses are expected to remain at comparable levels of to fiscal 2015 throughout fiscal 2016.

Bad debt expenses

The Company recorded bad debts of $16,521 and $119,074 in fiscals 2015 and 2014 respectively.

Interest expense

Interest expense consists of interest incurred on bank and related party debt. Interest expenses were $497,921 and $287,714 for fiscals 2015 and 2014, respectively. Interest expense increased primarily due to the increase in borrowings for plant and plant leaseholds. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

Gain (loss) on foreign exchange

The Company reported (gains) loss on foreign exchange of $(60,218) and $100,192 in fiscals 2015 and 2014 respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized, of transactions and year end foreign balances that are completed in currencies other than the Company's reporting currency.

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

Net loss and comprehensive loss for fiscals 2015 and 2014 was $(1,867,351) and $(3,177,371) respectively. Net income attributed to common shareholders is calculated by reducing net income by the $1,466,000 cumulative yearly dividends that accrue annually on the Class A preferred shares. The cumulative dividends accrue at 8% per annum on the face value of the $18,325,000 for the Class A preferred shares and as of March 31, 2015, the accrued and unpaid dividends on the Class A preferred shares were $9,462,000.

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Quarterly Results

The following table sets out selected unaudited consolidated financial information for each quarter in fiscal 2015 and fiscal 2014:

Quarters ended

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

	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30
	2015	2014	2014	2014	2014	2013	2013	2013
	$	$	$	$	$	$	$	$
Revenue	3,910	3,970	6,770	4,669	5,189	6,144	5,859	3,612
Net profit (loss) and total comprehensive income (loss)	(795)	(120)	1,040	(526)	(2,300)	(351)	801	139
Net profit (loss) attributed to common shareholders	(1,162)	(486)	674	(893)	(2,667)	(717)	435	(228)
Basic and diluted earnings (loss) per share	(0.09)	(0.03)	0.05	(0.07)	(0.12)	(0.04)	(0.02)	(0.02)

Liquidity and Capital Resources

($000s)	**2015**	**2014**	**Change**
	$	$	$
Cash	**58**	**(25)**	(171)
Working Capital	**1,167**	**155 (i)**	(584)

(i) The Company is subject to various covenants on the long-term debt (including debt to tangible net worth, current assets to current liabilities, capital and debt service ratios). The Company is in breach of the current ratio to which the bank has provided forbearance until April 1, 2016 with respect to this breach. IFRS requires that a financial liability be classified as current even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue. The Company's working capital without this reclassification of bank debt is $3,638,319 and $3,038,645 for fiscals 2015 and 2014 respectively.

	2015	2014	Change
Net cash (used in) provided by:			
	$	$	**$**
Operating activities	**(397)**	(1,028)	**1,256**
Investing activities	**(464)**	(1,594)	**905**
Financing activities	**944**	2,452	**1,908**

Cash

As at March 31, 2015, the Company held $57,757 in cash, an increase of $82,533 from March 31, 2014.

Working Capital

Working capital represents current assets less current liabilities. As at March 31, 2015, the Company had positive working capital of $1,167,483 compared to working capital of $155,317 at March 31, 2014 after the bank debt was reclassified as a current liability due to a breach of bank covenants. The Company is subject to various covenants on the long-term debt (including debt to tangible net worth, current assets to current liabilities and debt service ratios). The Company is in breach of the current asset to current liabilities ratio to which the bank has provided forbearance until April 1, 2015. The bank expects the Company to be back in covenant by March 31, 2016. IFRS requires that a financial liability be classified as current even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue. The Company's working capital without this reclassification of current bank debt is $3,748,286 and $3,308,645 for fiscal periods 2015 and 2014, respectively.

Cash (used in) by Operating activities
Cash used in operating activities for fiscal 2015 was $397,423 representing an decrease of $631,051 from cash used of $1,028,474 in fiscal 2014. Cash used in fiscal 2014 was primarily the result of large losses.

Cash (used in) Investing activities
Cash used in investing activities for fiscal 2015 was $(463,644) representing a decrease of $1,130,105 from cash used in investing activities of $(1,593,750) in fiscal 2014. Cash used in fiscal 2014 was the result of the company acquiring new land and building for the US operations.

Cash provided by financing activities
Cash provided by financing activities for fiscal 2015 was $943,599 representing a decrease of $1,508,088 from cash provided of $2,451,687 in fiscal 2014. Cash provided in financing activities in fiscal 2014 relates primarily to the borrowings to acquire land and building for the US operations and increase loans from related party.

Outlook

Fiscal 2015 concluded with a net loss of $401,351 before adjusting for accrued and unpaid dividends on the Class A preferred shares, which included a write-down on inventory of $37,084 and a forgiveness of debt from a related party is $97,600. Continued growth for the Company is expected from Summit Aerospace and Arnprior Fire Trucks Corp in the next several years. The Company has increased their investment into high end, robust and versatile manufacturing

equipment throughout all of its divisions. Plaintree moved to a larger facility in late fiscal 2011 to ensure it had sufficient capacity for growth for its Canadian operations.

There can be no assurances that the Company will achieve the long term operating results required to reduce the bank and related party debt to adequate levels and achieve profitability to meet the obligations to Class A preferred shareholders and provide income and cash flow attributable to common shareholders.

Related Party Transactions

Due from Related Party

On April 1, 2014, Plaintree Systems Inc. completed its acquisition of the business and assets of Spotton Corp ("Spotton") for a purchase price of $120 in cash and forgiveness of $1,096,641 in receivables.

Due to Related Party

	2015	2014
	$	$
Due to senior officers	**4,044,280**	3,665,568
Dividends payable	**60,000**	60,000
Due to Targa Group Inc., debenture interest	**247,672**	247,672
Due to Tidal Quality Management Inc.	**279,094**	713,284
Due to Targa Group Inc., line of credit	**221,328**	1,194,737
Due to Targa Group Inc., demand loan	**613,546**	1,563,833
Due to Targa Group Inc., demand loan interest	**134,812**	134,813
	5,600,732	7,579,907
Less: current portion	**-**	-
	5,600,732	7,579,907

As at March 31, 2015, a balance of $4,044,280 ($2,955,786 principal and $1,088,494 interest) remained owing to senior officers of the Company. These amounts are classified as long-term as the parties have agreed not to demand repayment before August 2016.

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 (2014 - $60,000) of the dividend remains outstanding as of March 31, 2015. The balance is classified as long-term as the related party has agreed not to demand payment before August 2016.

As at March 31, 2015, a balance of $247,672 (2014 - $247,672) of the due to related parties is convertible into common shares of the Company at a rate of $0.0115 at the option of Targa. The balance is classified as long-term as the related party has agreed not to demand payment before August 2016.

Until March 31, 2003, the Company leased facilities from a company controlled by Targa. Lease arrears owing to this related party amounted to $174,974 (March 31, 2014 - $174,974). The Company accepted partial financing in the form of a note payable in the amount of $373,473 during fiscal 2014 from Tidal for a new facility in Pocono Summit. As at March 31, 2015 a balance of $345,109. Loans totaling $420,003 owed to Spotton by Tidal have been consolidated into the net balance as of April 1, 2014 with

the acquisition of Spotton Corp by the Company. The interest is at bank prime plus 2% and accrues on the principal balance for a balance of $179,014 as of March 31, 2015 (March 31, 2014 - $171,852). The party has agreed not to demand repayment of the total balance of $279,094 (March 31, 2014 - $713,284) before August 2016 and the amount is classified as long-term.

The Company has a demand loan of up to $1,800,000 and 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 Facility is secured by a security interest granted over the assets of the Company. At March 31, 2015, $NIL, (2014 - $1,000,000) remained outstanding on the line of credit with accumulated interest of $221,328 (2014 - $194,737) for a balance of $221,328 (2014 - $1,194,737). At March 31, 2015, $546,965 (2014 - $1,491,040) remained outstanding on the demand loan with accumulated interest of $66,581 for a balance of $613,546 (2014 - $1,563,834). Targa has agreed that it will not demand repayment before August 2016 and, accordingly, the amounts are classified as long-term. In fiscal 2015, $2,188,731 of Targa and its affiliates' debt was forgiven by Targa. This resulted in a gain on forgiveness of debt of $2,090,750 recorded in contributed surplus, which is a separate reserve account within equity, and $97,600 recorded as a gain in the consolidated statement of comprehensive loss.

Accumulated interest in the amount of $134,812 (2014 - $134,812), on a loan from Targa remains outstanding as of March 31, 2015. The party has agreed not to demand repayment before August 2016 and, accordingly, the amount is classified as long-term.

Facilities

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

On May 23, 2013 the Company along with its wholly-owned US subsidiary completed the acquisition of a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA. The relocation of Summit Aerospace USA Inc. from its leased location was completed in June 2014.

Other Contracts and Commitments

The following table provides a summary of the Company's obligations outstanding as at March 31, 2015:

Payments due by period

	Total	Current	2017	2018	2019	2020	Thereafter
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	**2,286,597**	2,286,597					
Due to related parties-debenture interest	**247,672**	-	247,672	-	-	-	-
Due to related parties-other	**4,383,374**	-	4,631,046	-	-	-	-
Due to related parties-line of credit	**221,328**	-	221,328	-	-	-	-
Due to related parties-demand loan	**748,358**	-	748,358	-	-	-	-
Due to related parties-lease payments	**871,967**	105,693	105,693	105,693	105,693	105,693	343,502
Long-term debt	**4,455,107**	1,047,148	1,047,148	257,041	257,041	234,645	1,230,695
	13,214,403	3,439,438	7,001,245	362,734	362,734	340,338	1,574,197

Risk Factors Affecting Future Business

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 and notes receivable. The maximum credit risk in the year amounted to $4,995,809 (2014 - $4,182,271). 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. As at March 31, 2014, the Company held cash of $57,757, (2014 – cash deficit of $24,776). During the years ended March 31, 2015 and 2014, the Company did not hold any investments in asset-backed commercial paper.

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 consolidated statement of comprehensive income (loss). When a receivable balance is considered uncollectible, it is written off against the allowance for trade receivables.

Maximum credit risk is limited to the balance in cash, trade receivables and unbilled revenue totalling $4,638,602 (2014 - $3,780,418). The Company is subject to concentration risk in relation to its trade receivable balances. As of March 31, 2015, trade receivables were comprised of one customer totalling 24% (2014 – five customers totalling 17%, 14%, 12%, 11% and 10%, respectively). As at March 31, 2015, the Company's ageing of accounts receivable was approximately 52% (2014 - 95%) under sixty days, 9% (2014 - 2%) over 60 - 90 days and 39% (2014 - 3%) over 90 days and the allowance for doubtful accounts was $NIL (2014 - $NIL).

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 bank and related party debt totalling $9,296,244. The variable interest rates range from prime less 0.65% to prime plus 2.0%. A 1% change in the bank prime interest rate causes a $92,962 change in annual interest expense. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

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, 2014, the Company had a gain on foreign exchange of $60,218 (2014 - loss of $100,414). 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 $25,094 and $329,060 for the fiscal years ended March 31, 2015 and 2014, respectively.

Assets and liabilities denominated in U.S. dollars below (expressed in Canadian dollars) are as follows:

	2015	2014
	$	$
(Bank indebtedness) cash	**741,140**	(775,861)
Trade receivables	**982,400**	828,998
Unbilled revenue	**14,798**	319,582
Trade and other payables	**(897,353)**	(335,970)
Deferred revenue	**(139,815)**	(496,746)
Note payable	**-**	-
Long-term debt	**(3,210,579)**	(2,830,609)
	(2,509,409)	(3,290,606)

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 bi-monthly payments to vendors. At March 31, 2015, most of the Company's accounts payable were current. The vast majority of accounts payable fall due for payment within forty-five days. Accrued liabilities are generally due after more than one month and in some cases it may not yet be possible to determine the contracted date for payment.

The Company is required to maintain certain financial covenants in connection with its existing banking arrangements.

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.

The fair values of amounts due to and due from related parties are not determinable as comparable arm's length debts are not available.
Fair values

Capital Management

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in equity as capital, which totals $1,783,724 (2014 - $94,325) at year-end.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year revenue increases with positive increases in earnings before interest, tax, depreciation and amortization. These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation over exposure.

The Company is subject to various covenants on long-term debt (including debt to tangible net worth, current assets to current liabilities, capital and debt service ratios). The Company is in breach of the current asset to current liabilities covenant to which the bank has provided forbearance and will not demand repayment before April 1, 2016. The bank expects the Company to be onside on their covenant by March 31, 2016 (Note 8).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended March 31, 2015 compared to the year ended March 31, 2014.

New and Revised IFRS in Issue but not Effective

New Standards effective for April 1, 2014

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amendments to IAS 32 Financial Instruments: Presentation clarify certain aspects because of diversity in application of the requirements on offsetting, focus on four main areas:

- the meaning of "currently has a legally enforceable right of set-off";
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

The IAS 32 amendments were applied retrospectively for on January 1, 2014 with no impact.

New Standards effective for April 1, 2014 (Continued)

IFRIC 21 Levies ("IFRIC 21")

Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognized progressively if the obligating event occurs over a period of time
- If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

IFRIC 21 was applied beginning January 1, 2014 with no impact.

Amendments to IFRS 2 - Share-based Payments ("IFRS 15")

In the second quarter of 2014, the IASB issued Amendments to IFRS 2. The amendments change the definitions of "vesting condition" and "market condition" in the standard, and add definitions for "performance condition" and "service condition". They also clarify that any failure to complete a specified service period would result in a failure to satisfy a service condition. This would result in the reversal, in the current period, of compensation expense previously recorded reflecting the fact that the employee failed to complete a specified service condition. These amendments were effective for transactions with a grant date on or after July 1, 2014. There was no impact to the Company in implementing this amendment.

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 amendments were applied retrospectively on January 1, 2014 with no impact

New and revised IFRS in issue but not yet effective

The following is a list of standards and amendments that have been issued but are not yet effective and have not yet been adopted by the Company:

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard

New and revised IFRS in issue but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognized revenue which is a changed from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual period beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

Summary of Outstanding Share Data

As at July 20, 2015, 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, 2015, of $247,672 in accrued interest only. Interest is convertible in cash only.

Options:*** None

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