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Baylin Provides Further Details Regarding \$10 Million Private Placement

Toronto, August 11, 2021. Baylin Technologies Inc. (TSX: BYL) (the "**Company**") provides further details regarding its previously announced proposed best efforts private placement financing (the "**Offering**") of 11,112,000 common shares of the Company (the "**Common Shares**") at a price of \$0.90 per Common Share (the "**Issue Price**") for total proceeds of approximately \$10 million.

In connection with the Offering, the Company has entered into an engagement letter with Paradigm Capital Inc., as lead agent, on behalf of a syndicate of agents (collectively, the "**Agents**"). The Company has granted the Agents an option to sell up to an additional 15% of the number of Common Shares offered pursuant to the base Offering for over-allotment purposes at the Issue Price, exercisable, in whole or in part, at any time until 48 hours prior to the closing of the Offering. The terms of the Offering (including the pricing of the Common Shares being sold in the Offering) are being negotiated on an arm's length basis between the Company and the Agents.

The net proceeds from the Offering will be used for general working capital purposes and for the repayment of outstanding debt.

The Offering is expected to close on or about September 1, 2021, or such other date as the Company and the Agents may agree in writing (the "**Closing Date**"), and will be subject to receipt of applicable regulatory approvals and other customary closing conditions, including listing of the Common Shares on the Toronto Stock Exchange ("**TSX**"). The Common Shares sold in the Offering will have a hold period of four months and one day from the Closing Date.

As part of the Offering, the Company has entered into a separate agreement with 2385796 Ontario Inc. (the "**Insider**"), the Company's largest shareholder, under which the Insider has agreed to support the Offering by agreeing to purchase Common Shares with a purchase price equal to the lesser of (i) \$10 million (subject to increase by the amount (if any) of the over-allotment option) and (ii) the difference between the full amount of the Offering and the aggregate purchase price paid by all other investors (if any) in the Offering (the "**Financing Commitment**"). Accordingly, the Company is assured of receiving at least \$10 million in proceeds from the Offering, subject to receipt of applicable regulatory approvals and other customary closing conditions, including listing of the Common Shares on the TSX.

The Insider's purchase of Common Shares (and the purchase of Common Shares by any other insider of the Company) would constitute a related party transaction under Multilateral Instrument 61-101 – *Protection of Security Holders in Special Transactions* ("**MI 61-101**"). However, any such purchase would be exempt from the formal valuation and minority approval requirements of MI 61-101 as neither the fair market value of the subject matter of the transaction, nor the consideration paid, would exceed 25% of the Company's market capitalization (as determined in accordance with MI 61-101).

Financing Commitment

The Insider currently holds 26,653,122 Common Shares, representing approximately 42.7% of the 62,447,014 Common Shares outstanding. An Associate of Jeffrey C. Royer, Chairman of the Board of Directors of the Company, holds 2,748,450 Common Shares. Mr. Royer exercises exclusive control over the Common Shares held by the Associate and, by virtue of an agreement with the Associate, over the Common Shares held by the Insider. Together, the Insider and the Associate (the “**Insider Group**”) hold 29,401,572 Common Shares, representing approximately 47.1% of the Common Shares outstanding.

Assuming the Financing Commitment (\$10 million) is exercised in full, the maximum number of common shares issuable to the Insider would be 11,112,000 (or 12,778,000 assuming the over-allotment option is exercised in full), the maximum percentage of currently outstanding Common Shares issuable to the Insider would be 17.8% (or 20.5% assuming the over-allotment option is exercised in full) and the maximum percentage of Common Shares held by the Insider Group after giving effect to the Offering would be 55.1% (or 56.0% assuming the over-allotment option is exercised in full).

Credit Agreement

The Company and its principal lenders, Royal Bank of Canada and HSBC Bank Canada (the “**Lenders**”), have agreed to a further amendment (the “**Amendment**”) to the Credit Agreement dated March 29, 2019 (as previously amended, the “**Credit Agreement**”). The Amendment includes a waiver by the Lenders of compliance by the Company with the Fixed Charge Coverage Ratio (as defined in the Credit Agreement) at June 30, 2021. The Lenders have also agreed to waive the obligation to apply the net proceeds from the Offering to repay debt provided that the proceeds are deposited in an account with one of the Lenders not later than September 1, 2021.

Financial Position of the Company

The Company has undergone a significant deterioration in its financial condition.

The deterioration in the Company’s financial condition has resulted from a variety of factors, principally brought about by the COVID-19 pandemic, including the following:

- drop in sales across all the Company’s business units, resulting in a decrease in revenue from \$153 million in 2019 to \$120 million in 2020, a decrease of 22%; and a decrease in revenue from \$57.6 million in the six months ended June 30, 2021 to \$45.1 million in the corresponding period in 2021, a decrease of 21.7%;
- continued delay in the completion of the Company’s new factory in Vietnam (for which the Company has spent approximately \$9 million to design and equip the facility), resulting from the inability of engineers to travel from outside Vietnam to Vietnam to complete the installation and inspection of the antenna testing equipment, which has affected, by over 18 months, the timing of final certification and readiness for production; as a result of the delay, demand for the antenna to be produced at the factory has softened significantly, leading to a redesign by our customer; we now do not expect the factory to be production-ready until some time in 2022, and in light of market conditions and changes to the product design, we will be assessing the long-term strategic options for this facility over the next two quarters;
- reduction in or delayed capital spending by telecom and other customers or cancellation of projects entirely;
- materials shortages, including of semi-conductor chipsets and resin, and increased freight charges due to supply chain constraints;

- ongoing difficulties in completing the integration of Advantech Wireless and Alga Microwave, which form the Satcom business line;
- production and margin issues in the Mobile and Satcom business units with respect to particular product programs; and
- continuing travel restrictions, which have impeded business development and operational activities.

Second Quarter Financial Results

The Company announced its 2021 second quarter financial results by news release dated August 11, 2021. We refer you to that release for further information about the Company.

Exemption from Shareholder Vote

The Financing Commitment triggers the requirement for disinterested shareholder approval under section 607(g)(ii) of the TSX Company Manual unless an exemption is available to the Company. That is because the Financing Commitment could result in the issuance to the Insider of a number of Common Shares that is greater than 10% of the number of Common Shares currently outstanding.

The Company applied to the TSX under section 604(e) of the TSX Company Manual for an exemption from the requirement for disinterested shareholder approval of the Financing Commitment on the basis that the Company is in serious financial difficulty (the "**Application**"). The independent and disinterested members of the board of directors of the Company (being all the directors other than Jeffrey C. Royer, each of whom is free from any interest in the Financing Commitment and unrelated to Mr. Royer and the Insider Group), considered the reasonableness and fairness of the Financing Commitment and unanimously recommended approval of the Financing Commitment and the Application. The board of directors then approved the Financing Commitment (with Mr. Royer declaring his interest and abstaining from voting), and there were no contrary views or abstentions. In addition, the full board of directors determined that the Company met the applicable TSX and MI 61-101 financial hardship requirements and that the Financing Commitment is reasonable in the circumstances and designed to improve the Company's financial position.

US Securities Laws Disclaimer

The Common Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any U.S. state securities laws, and may not be offered or sold in the United States without registration under the U.S. Securities Act and all applicable state securities laws or compliance with the requirements of an applicable exemption therefrom. This press release does not constitute an offer to sell or the solicitation of an offer to buy Common Shares in the United States, nor may there be any sale of these Common Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

About Baylin

Baylin is a leading, diversified, global technology company. Baylin focuses on research, design, development, manufacturing, and sales of passive and active radio-frequency products and services. We strive to meet our customers' needs and anticipate the direction of the market.

Forward-looking Information Cautionary Statement

This press release contains forward-looking statements and forward-looking information including, without limitation, statements related to the approval of the TSX, the timing and completion of the

Offering and the anticipated use of proceeds by Baylin. The completion and timing of the Offering is subject to a number of conditions, including that all approvals for the Offering will be received, that no material adverse change will occur in Baylin's operations or the market for its services prior to closing of the Offering and completion of satisfactory due diligence. The intended use of the net proceeds of the Offering by Baylin might change if the board of directors of Baylin determines that it would be in the best interests of Baylin to deploy the proceeds for some other purpose. The words "will", "expect", "may" and similar expressions are intended to be among the statements that identify forward-looking statements. The forward-looking statements are founded on the basis of expectations and assumptions made by Baylin.

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