MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2023

Dated May 10, 2023

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three Months Ended March 31, 2023

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Baylin Technologies Inc. ("Baylin", the "Company", "we" or "us") was prepared by management as at May 10, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements of Baylin and related notes thereto for the year ended December 31, 2022 (the "Annual Financial Statements") and the unaudited interim condensed consolidated financial statements of Baylin and related notes thereto for the three months ended March 31, 2023 (the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to May 10, 2023, unless otherwise stated.

Additional information relating to the Company, including the most recent Annual Information Form, may be found under the Company's profile on SEDAR at www.sedar.com. Unless otherwise stated, all amounts shown in this MD&A are in Canadian dollars.

This MD&A contains commentary from the Company's management regarding the Company's strategy, operating results, financial position and outlook. Management is responsible for the accuracy, integrity, and objectivity of this MD&A. Accordingly, management develops, maintains and supports necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A includes forward-looking information and forward-looking statements (together, "forward-looking statements") within the meaning of applicable securities laws. Forward-looking statements are not statements of historical fact. Rather, they are disclosure regarding conditions, developments, events or financial performance that we expect or anticipate may or will occur in the future, including, among other things, information or statements concerning our objectives and strategies to achieve those objectives, statements with respect to management's beliefs, estimates, intentions and plans, and statements concerning anticipated future circumstances, events, expectations, operations, performance or results. Forward-looking statements can be identified generally by the use of forward looking terminology, such as "anticipate", "believe", "could", "should", "would", "estimate", "expect", "forecast", "indicate", "intend", "likely", "may", "outlook", "plan", "potential", "project", "seek", "target", "trend" or "will" or the negative or other variations of these words or other comparable words or phrases, which is intended to identify forward-looking statements, although not all forward-looking statements contain these words.

The forward-looking statements in this MD&A include statements regarding the outlook for our business, our financial condition and results of operations, as well as available liquidity. Forward-looking statements are based on various assumptions and estimates made by us in light of the experience and perception of historical trends, current conditions, expected future developments, including projected growth in sales of passive and active radio frequency products, satellite communications products, and supporting services, and other factors we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such assumptions and estimates will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the risk factors discussed in the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR at www.sedar.com. All the forward-looking statements in this MD&A are qualified by these cautionary statements and other cautionary statements or factors in this MD&A. There can be no assurance that the actual results or developments will be realized or, even if substantially realized, will have the expected consequences to, or effects on, the Company. Unless required by applicable law, the Company does not intend and does not assume any obligation to update any forward-looking statements.

NON-IFRS MEASURES

This MD&A includes a number of measures that are not prescribed by IFRS and as such may not be comparable to similar measures presented by other companies. Management believes that these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support business activities. The measures we use are specifically defined where they are first used.

While management believes that non-IFRS measures provide helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with IFRS.

The non-IFRS measures presented in this MD&A are as follows:

i. "Net debt", which refers to total bank indebtedness less cash and cash equivalents;

ii. "Working capital", which refers to current assets less accounts payable and accrued liabilities;

iii. "Non-cash working capital", which refers to working capital less cash and cash equivalents;

iv. "Cash conversion cycle", which refers to the following in the most recently completed quarter:
   1) days sales outstanding, plus:
   2) days of inventory outstanding, less:
   3) days payables outstanding;

v. "Gross margin", which refers to gross profit divided by revenue;

vi. "EBITDA", which refers to operating income (loss) plus depreciation and amortization;

vii. "Adjusted EBITDA", which refers to EBITDA plus the sum of the following:
   a) Acquisition expenses;
   b) Fair value step-up of inventory acquired as part of an acquisition;
   c) Expenses for litigation relating to acquisition agreements;
   d) Expenses relating to planned restructuring following an acquisition;
   e) Impairment of fixed and intangible assets (including goodwill) following an acquisition;
   f) Expenses to permanently close or relocate a facility, shut down a line of business, eliminate positions;
   g) Expenses relating to corporate re-organization; and,
   h) Non-cash compensation.

   Management believes that "Adjusted EBITDA" provides useful information to investors in order to compare companies across and within an industry. Management uses this non-IFRS measure to assist in evaluating productivity, efficiency, return on capital and forecasting operating performance.

viii. "Backlog", which refers to the value of unfulfilled purchase orders placed by customers.

   Management believes that backlog provides useful information to investors as a forward-looking indicator of anticipated revenue to be recognized upon fulfilment of the purchase orders. Backlog may be subject to change as a result of project accelerations, cancellations or delays due to various factors, any of which could cause revenue to be realized in periods and at levels different from originally anticipated. Additionally, the Company's method of calculating backlog may be different from methods used by other companies and, accordingly, may not be comparable to similar measures used by other companies.

OVERVIEW

Background and Description of Operations

Baylin is a diversified global wireless technology company focused on the research, design, development, manufacture, and sale of passive and active radio frequency ("RF") products, satellite communications products, and supporting services. The Company's products are marketed and sold under the brand names Galtronics and Advantech Wireless. The Company's operations are conducted through subsidiaries. Effective January 1, 2023, the Company changed the name of Asia Pacific business line to Mobile and Network ("M&N") business line to better represent its business and products.

Galtronics

The Galtronics line of business, established in 1978, designs and manufactures innovative wireless antenna solutions for customers' embedded, infrastructure and mobile products.

The Galtronics line of business is comprised of three business lines: (a) Embedded Antenna; (b) Wireless Infrastructure; and, (c) Mobile and Network.

a) The Embedded Antenna business line works with original equipment manufacturer ("OEM") customers to custom engineer and produce antennas for home networking devices (such as Wi-Fi routers, gateways and set-top boxes), 5G products and land mobile radio products. Embedded Antenna volumes are produced at the Company's plants in China and Vietnam.

b) The Wireless Infrastructure business line works with network carrier customers and other businesses to design and produce small cell and macro system antennas, stadium and venue antennas, distributed antenna systems ("DAS") and multibeam antennas that support wireless coverage and mobile data capacity requirements. Wireless Infrastructure volumes are produced at the Company's plant in China.

c) The Mobile and Network business line works with OEM customers to design and produce antennas for mobile phones, personal computers, tablets, IOT, and wirelessly connected devices. M&N is led from its offices in South Korea with production at the Company's plants in Vietnam, taking advantage of a lower cost structure.

Satcom

The Satcom line of business designs and manufactures RF and microwave products for wireless communications markets and for commercial, critical infrastructure, government and military clients.

Advantech Wireless designs and manufactures customizable satellite RF and microwave products for highly specialized wireless communications markets, including:

- *RF Components:* (i) GaN-based power amplifiers (solid state power amplifiers, pulsed amplifiers for radar applications, and solid state power block and block up converters); (ii) Gallium arsenide-based power amplifiers; (iii) indoor-frequency converters; (iv) outdoor-frequency converters; and, (v) transceivers;
- *Microwave Components:* (i) point-to-point microwave radios; and, (ii) network management software;
- *Antennas and Controllers:* (i) fixed antennas; (ii) mobile antennas; and, (iii) antenna controllers;
- *Active Components:* L, S, C, X, Ku and Ka bands, with frequencies that range from 2.0 to 31.0 GHz and within power spectrum of 5 to 12,000 watts; and,
- *Passive Components:* 500 MHz to 80 GHz passive RF components, which include filters, diplexers and combiners / dividers.

Products are designed and produced for customers in the following verticals: (i) broadcast; (ii) maritime and cruise ships; (iii) government and military; (iv) homeland security; (v) direct-to-home satellite; (vi) oil and gas; and, (vii) wireless communications. Satcom products are manufactured at the company's facilities in Canada and the USA.

SELECTED FINANCIAL INFORMATION

The table below discloses selected financial information for the periods indicated.

(in $000's except per share amounts)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Profit and Loss				
Revenue	**25,127**	30,974	(5,847)	(18.9%)
Gross profit	**7,665**	8,056	(391)	(4.9%)
Gross margin	**30.5%**	26.0%	4.5%	N/A
Net loss	**(1,166)**	(3,073)	1,907	(62.1%)
Basic and diluted net loss per share	**($0.01)**	($0.04)	$0.03	(75.0%)
EBITDA*	**2,321**	(246)	2,567	N/A
Adjusted EBITDA*	**877**	224	653	> 100.0%

	As at March 31, 2023	**As at March 31, 2022**	**Change**	**Change**	**As at March 31, 2023**	**As at December 31, 2022**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Balance Sheet and Other								
Current assets	**50,132**	60,713	(10,581)	(17.4%)	**50,132**	50,453	(321)	(0.6%)
Total assets	**72,702**	89,993	(17,291)	(19.2%)	**72,702**	74,384	(1,682)	(2.3%)
Current liabilities	**66,197**	63,225	2,972	4.7%	**66,197**	65,505	692	1.1%
Non-current liabilities	**9,657**	17,921	(8,264)	(46.1%)	**9,657**	12,139	(2,482)	(20.4%)
Total liabilities	**75,854**	81,146	(5,292)	(6.5%)	**75,854**	77,644	(1,790)	(2.3%)
Net debt*	**22,589**	17,373	5,216	30.0%	**22,589**	21,437	1,152	5.4%
Backlog*	**35,181**	38,216	(3,035)	(7.9%)	**35,181**	38,067	(2,886)	(7.6%)

** EBITDA, Adjusted EBITDA, Net debt and Backlog are non-IFRS measures that management uses to assess the Company's operating performance, liquidity and business dynamics (see "Non-IFRS Measures" on page 3 of this MD&A).*

First Quarter Summary

- Revenue of $25.1 million in the first quarter of 2023, a decrease of $5.9 million or 18.9% compared to the first quarter of 2022. The decrease was mainly due to a significant reduction in orders from its principal customer in the Mobile and Network business line, partially offset by stronger sales in the Wireless Infrastructure and Satcom business lines.

- Gross margin (see "Non-IFRS Measures" on page 3 of this MD&A) was 30.5% in the first quarter of 2023 compared to 26.0% in the first quarter of 2022 despite gross profit of $7.7 million being $0.4 million less than the first quarter of 2022. The improved gross margin resulted from a balanced product mix due to sales from newly launched products, changes in pricing strategy, and a data driven focus on contribution margin at the business line level. In the first quarter of 2023, the improvement was mainly generated by: (i) revenue recovery and favourable product mix including new multibeam and innovative portfolio of antennas in the Wireless Infrastructure business line; (ii) enhanced production efficiency and favourable product mix in the Satcom business line despite supply chain constraints; and, (iii) consistent operational efficiency in the Embedded Antenna business line.

- Adjusted EBITDA (see "Non-IFRS Measures" on page 3 of this MD&A) of $0.9 million in the first quarter of 2023, the sixth consecutive quarter of positive Adjusted EBITDA. Adjusted EBITDA increased by $0.7 million compared to the first quarter of 2022. The increase in Adjusted EBITDA was primarily due to a decrease of $0.9 million in operating expenses (excluding lease termination gain and impairment recovery), partially offset by the decrease in gross profit compared to the prior year period.

- Net loss of $1.2 million in the first quarter of 2023 compared to a net loss of $3.1 million in the first quarter of 2022. The net loss in the first quarter of 2023 included a lease termination gain and impairment recovery of $2.7 million as a result of completing the lease transfer of the MMU facility in Vietnam to a third party. The net loss in the first quarter of 2023 was mainly attributable to interest and other finance expenses despite having an operating income of $0.4 million. On a per share basis, a net loss of $0.01 per share in the first quarter of 2023 compared to a net loss of $0.04 per share in the first quarter of 2022.

- Net debt (see "Non-IFRS Measures" on page 3 of this MD&A) was $22.6 million as at March 31, 2023, an increase of $1.2 million from December 31, 2022, primarily due to debt interest payments and lease payments.
- Backlog (see "Non-IFRS Measures" on page 3 of this MD&A) was $35.2 million at March 31, 2023 compared to the backlog level of $38.1 million at December 31, 2022 and $38.2 million at March 31, 2022. The decrease was mainly due to a significant lower level of backlog in the Mobile and Network business line as a result of across-the-board production volume reductions at its principal customer.

RECENT DEVELOPMENTS

Convertible Debentures

Amendment

The Company is proposing to amend the terms of its 6.5% Extendible Convertible Unsecured Debentures due July 10, 2023 (the "Debentures") to (i) extend the maturity date of the Debentures from July 10, 2023 to June 30, 2026, (ii) increase the interest rate on the Debentures from 6.5% to 8.5%, effective June 30, 2023, (iii) reduce the conversion price of the Debentures from $3.85 to $1.00 per common share of the Company, and (iv) amend the definition of "Change of Control" to permit the Company's Chairman of the Board of Directors, Jeffrey C. Royer, and related parties to acquire 66 2/3% or more of the common shares of the Company without it constituting a Change of Control (the "Amendments"). The Amendments are subject to approval of the Toronto Stock Exchange (the "TSX").

The Company will be soliciting written consents (the "Consent Solicitation") and proxies (the "Proxy Solicitation", and together with the Consent Solicitation, the "Solicitation") from holders of the Debentures (the "Debentureholders") to approve the Amendments by way of extraordinary resolution (the "Extraordinary Resolution"). In the case of the Consent Solicitation, the Extraordinary Resolution will pass (and the Amendments will be approved) if the Company receives valid consents in favour of the Extraordinary Resolution representing at least 66 2/3% of all the Debentures outstanding. There is currently $5.115 million principal amount of Debentures outstanding.

In addition to but concurrently with the Consent Solicitation, the Company will also be soliciting proxies as part of the Proxy Solicitation for use in connection with a proposed meeting of Debentureholders to be held on June 20, 2023 (the "Meeting") at which Debentureholders will be asked to approve the Amendments. If the Consent Solicitation achieves the requisite level of support to approve the Amendments, the Meeting will be cancelled. If not, the Company will proceed with the Meeting. At the Meeting, the Extraordinary Resolution will pass (and the Amendments will be approved) if the Company receives the favourable votes of holders of at least 66 2/3% of the principal amount of the Debentures present in person or represented by proxy at the Meeting.

The Company has retained Kingsdale Advisors to act as information and solicitation agent for the Solicitation. The Company will be arranging to send to Debentureholders a solicitation statement and related materials in connection with the Solicitation and the Meeting. The Company will issue a press release to advise when these materials have been filed under the Company's profile on SEDAR at www.sedar.com.

Payment of Convertible Debentures in Common Shares at Maturity

The Debentures mature on July 10, 2023 (the "Maturity Date"). In addition to payment in cash, the Company has the right to repay the Debentures in its common shares at 95% of their market price at the Maturity Date (the "Common Share Repayment Right"). The Company intends to exercise the Common Share Repayment Right and elect to repay the principal amount of the Debentures on the Maturity Date by issuing common shares to Debentureholders, as it is permitted to do under the terms of the Debentures, rather than repay the Debentures in cash, subject to receipt of any required regulatory approvals, including the TSX. The number of common shares to be issued would be equal to the principal amount of the Debentures then outstanding divided by 95% of the current market price of the common shares (which would be calculated based on the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending five days before the Maturity Date).

The Common Share Repayment Right is effectively conditional on the outcome of the Solicitation. If the Extraordinary Resolution is passed and the Amendments become effective before the Maturity Date, the Common Share Repayment Right will not occur and will be withdrawn.

If the Extraordinary Resolution is not passed, the Company will proceed with the Common Share Repayment Right and repay the Debentures in common shares in accordance with the terms of the Debentures.

Private Placement of Common Shares

The Company's principal shareholder, 2385796 Ontario Inc. (the "Principal Shareholder"), a corporation over which our Chairman of the Board of Directors, Jeffery C. Royer, exercises control and direction over investment decisions, has agreed to subscribe on a private placement basis for common shares of the Company, subject to a maximum number of 8,000,000 common shares and maximum proceeds to the Company of $4 million. The common shares will be issued at a price based on the 5-day volume-weighted average trading price of the common shares on the TSX. Subject to TSX approval, the private placement is expected to close around May 22, 2023. The proceeds from the private placement will be used to fund working capital in the business, including for use in the Mobile and Network business line. The Principal Shareholder and a related party currently hold approximately 58% of our outstanding common shares. Assuming the private placement results in the issuance of 8,000,000 common shares, the Principal Shareholder and related party would hold approximately 61.8% of our outstanding common shares after giving effect to the private placement.

Credit Facilities

Canadian Credit Facility

In May 2023, the Company and its lenders (Royal Bank of Canada and HSBC Bank Canada) agreed to further amendments to the Credit Agreement (see "Credit from banks and loans" on page 14 of this MD&A), among others, to change the minimum Liquidity covenant. The Company is now required to maintain minimum Liquidity of $3 million until May 31, 2023 and $4 million thereafter until maturity of the credit facilities.

China Credit Facility

The Company's Chinese subsidiary is arranging a new 30 million Chinese Yuan multiple-tranche secured credit facility with Bank of Ningbo. The facility, which will be secured by the subsidiary's building, will replace the 17 million Chinese Yuan secured facility with Shanghai Pudong Development Bank and increase Liquidity by approximately $2.5 million.

OUTLOOK

The Company has now achieved six consecutive quarters of positive Adjusted EBITDA and consistently improved gross margins since the first quarter of 2022. The North American business lines continue to perform well generally but overall performance is being negatively affected by the results of our Mobile and Network business line. We continue to prioritize product mix, emphasizing products that generate higher margins and gross profit, with a view to maintaining and growing Adjusted EBITDA, even at the expense of higher revenue. The macroeconomic environment, shortages in materials and increased material costs due to supply chain challenges and chipset shortages remain an issue for our business. These factors are expected to continue to cause delays in both the production and the delivery of our products as well as push-outs of orders from customers. We had expected that these disruptions would begin to ease over the second half of 2022, but now anticipate that they will continue into the first half of 2023. The ongoing war in Ukraine could continue to exacerbate supply chain disruptions. As a result of these continuing challenges, we continue to expect that our 2023 results will be generally consistent with 2022 results for revenue and Adjusted EBITDA in spite of the growth in the Company's backlog of purchase orders and improving margins.

Embedded Antenna Business Line

We continue to expect the Embedded Antenna business line will perform strongly in 2023 although at slightly reduced levels from 2022, reflecting more normalized purchasing patterns. We expect the home networking, public safety and automotive markets to remain resilient despite the economic slowdown and inflationary pressures. Moreover, we are continuing to see consistent bidding opportunities to win new programs with major North American cable companies and OEMs.

Wireless Infrastructure Business Line

We expect the Wireless Infrastructure business line will continue to perform strongly in 2023 with improvements in both revenue and Adjusted EBITDA compared to 2022. We expect that Stadium and DAS deployments will strengthen, particularly for use in stadiums and other venues requiring in-building wireless, and we expect that our new higher margin multibeam and innovative antenna portfolio will open up new global opportunities to drive sales with wireless carriers and third party operators who operate wireless mobile networks for their customers. In the first quarter of 2023, the Company sold multibeam antennas to three North American carriers and directly to two European wireless carriers -- a first for the Company. Additionally, the Infrastructure team was selected for multiple Major League Baseball stadiums and several major college basketball arenas in the US.

Mobile and Network Business Line

The Mobile and Network business line continues to face significant challenges due to large production volume reductions at its principal customer. Those reductions reflect a contraction in this customer's smartphone market in 2023, due in part to the global economic slowdown and continuing inflation, as well as competitive pressures faced by the customer. Management has been taking steps to limit the adverse effect this has had on the business by reducing or eliminating operating and other costs. Over the past 18 months, management has been working to diversify the M&N business in order to reduce its dependency on its principal customer. While the non-Mobile revenue and margins have been improving gradually, they were not sufficient to offset the declines in revenue from M&N's primary customer in the first quarter of 2023. We expect that the Mobile business will begin to recover in the second half of the year. Management further expects to benefit from additional revenue-generating projects in the second half of 2023 as well. In the meantime, management continues to seek financial support for the business in South Korea and elsewhere (see "Recent Developments -- Private Placement of Common Shares" on page 7 of this MD&A) and to evaluate the Company's various options for the business, including a determination of whether it should remain part of the Company's core long-term strategy.

Satcom Business Line

The commercial side of the Satcom business line continues to demonstrate consistent demand with capital spending by our customers continuing the momentum seen in the fourth quarter of 2022. While we have seen a slow-down in spending by satellite operators, integrators, and others in the Satcom ecosystem, Advantech's positioning has allowed it to continue a strong order flow. Specifically, Satcom is differentiated in high-power applications where demand remains strong. We recently announced the launch of our new Genesis line of solid-state power amplifiers. These new amplifiers have already generated significant interest from commercial clients, with four such customers having already placed orders and one fully taking delivery of several in the first quarter of 2023.

Sales for military and other government-related uses, which represents the balance of this business line, will continue and potentially increase in 2023, as many western countries have dramatically increased their defence spending. Recent order volumes reflect a mixture of large commercial customers as well as NATO government and military uses.

We are also working on several technology upgrades within our product portfolio, which are expected to launch in the coming quarters and generate additional sales.

The Satcom business line continues to demonstrate a strong order book with improving margins, but production continues to be affected by supply chain constraints, chipset shortages and component delays. In the meantime, we continue to take steps to improve production efficiencies in our facilities in order to address the backlog and improve overall revenue attainment. In order to alleviate some of the production backlog in our Kirkland, Quebec facility, we are starting production of high-power amplifiers in our State College, Pennsylvania facility.

Overall, we expect the Company's revenue and Adjusted EBITDA in 2023 will be stronger than 2022 despite the challenges in our Mobile and Network business line.

DISCUSSION OF OPERATIONS

Revenue and Gross Profit

(in $000's)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**25,127**	**30,974**	**(5,847)**	**(18.9%)**
Cost of sales	17,462	22,918	(5,456)	(23.8%)
Gross profit	**7,665**	**8,056**	**(391)**	**(4.9%)**
Gross margin	30.5%	26.0%		

a) *Factors affecting Revenue and Gross Profit*

The Company's revenue is derived from the sale of wireless and satellite communications components. Financial results are reported as one reportable segment.

The Company manufactures and sells a variety of components, including antenna products, such as antennas for mobile handsets and smartphones, networking and telemetry devices, land mobile radios, telematics and wireless infrastructure antennas, and satellite radio frequency and microwave products, such as amplifiers, converters, filters and transceivers. The Company's revenue is impacted by the timing of customers' product launches, their project deployment plans, and network expansion investment levels by telecom carriers and independent providers.

The Company's gross profit is impacted by selling prices, sales volumes, product mix and variable costs of goods sold (being direct materials and direct labour).

b) *First Quarter of 2023 compared to First Quarter of 2022*

The Company's revenue was $25.1 million in the first quarter of 2023 compared to $31.0 million in the first quarter of 2022, representing a decrease of $5.9 million or 18.9%. The decrease was primarily due to significant production volume reductions in the Mobile and Network business line, partially offset by stronger sales in the Wireless Infrastructure and Satcom business lines.

The Company's gross profit was $7.7 million in the first quarter of 2023, a decrease of $0.4 million compared to the first quarter of 2022. Gross margin was 30.5% in the first quarter of 2023 compared to 26.0% in the first quarter of 2022. The improved gross margin resulted from a balanced product mix due to sales from newly launched products, changes in pricing strategy, and a data driven focus on contribution margin at the business line level. In the first quarter of 2023, the improvement was mainly generated by: (i) revenue recovery and favourable product mix including our new multibeam and innovative antenna portfolio in the Wireless Infrastructure business line; (ii) enhanced production efficiency and favourable product mix in the Satcom business line despite supply chain constraints; and, (iii) consistent operational efficiency in the Embedded Antenna business line.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,284	1,270	14	1.1%
Other	456	569	(113)	(19.9%)
Total	**1,740**	**1,839**	**(99)**	**(5.4%)**
As a percentage of revenue	6.9%	5.9%		

a) *Factors affecting Selling and Marketing Expenses*

The Company's selling and marketing expenses consist primarily of salaries, advertising, trade shows, travel costs and other promotional activities. These costs can be material when entering new markets, such as the infrastructure market, and acquiring new customers, requiring meaningful investments to win new business.

b) *First Quarter of 2023 compared to First Quarter of 2022*

The Company's selling and marketing expenses in the first quarter of 2023 were $1.7 million (6.9% of revenue) compared to $1.8 million (5.9% of revenue) in the first quarter of 2022. The decrease was primarily due to the recognition of the US Employee Retention Tax Credit (see "Government Assistance Programs" on page 11 of this MD&A) in the first quarter of 2023.

Research and Development Expenses

(in $000's)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Development costs	2,733	3,066	(333)	(10.9%)
Depreciation	117	60	57	95.0%
Total	**2,850**	**3,126**	**(276)**	**(8.8%)**
As a percentage of revenue	11.3%	10.1%		

a) *Factors affecting Research and Development Expenses*

The Company's research and development ("R&D") expenses consist primarily of salaries, patent fees, product development costs and other engineering expenses. The Company's technological design centres are located in South Korea, United States and Canada. The Company often incurs significant expenditures in the development of a new product without any assurance that its customers' system designers will ultimately select the product for use in their applications. Management is often required to anticipate which product designs will generate demand in advance of its customers expressly indicating a need for that particular design. Even if the customers' system designers ultimately select our products, a substantial period of time may elapse before the Company generates revenue relative to the possibly significant expenses it has initially incurred.

b) *First Quarter of 2023 compared to First Quarter of 2022*

The Company's R&D expenses in the first quarter of 2023 were $2.9 million (11.3% of revenue) compared to $3.1 million (10.1% of revenue) in the first quarter of 2022. The decrease was mainly due to the recognition of the US Employee Retention Tax Credit (see "Government Assistance Programs" on page 11 of this MD&A) in the first quarter of 2023.

General and Administrative Expenses

(in $000's)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	2,084	1,917	167	8.7%
Other	2,424	2,246	178	7.9%
Depreciation	268	560	(292)	(52.1%)
Amortization	626	1,255	(629)	(50.1%)
Total	**5,402**	**5,978**	**(576)**	**(9.6%)**
As a percentage of revenue	21.5%	19.3%		

a) *Factors affecting General and Administrative Expenses*

The Company's general and administrative ("G&A") expenses consist of costs relating to human resources, legal and finance, professional fees, insurance, other corporate expenses and amortization of intangibles.

b) *First Quarter of 2023 compared to First Quarter of 2022*

The Company's G&A expenses in the first quarter of 2023 were $5.4 million (21.5% of revenue) compared to $6.0 million (19.3% of revenue) in the first quarter of 2022. The decrease was primarily due to lower depreciation and amortization expenses which resulted from the completion of lease transfer of the MMU facility in Vietnam and the full amortization of customer relations intangible assets in the first quarter of 2023.

Government Assistance Programs

(in $000's)

		Three Months Ended March 31,			
		2023	**2022**	**Change**	**Change**
		$	**$**	**$**	**%**
Employee Retention Tax Credit Program	USA	850	-	850	N/A
Total		**850**	**-**	**850**	**N/A**

The Company recognized government stimulus of $0.8 million relating to the US Employee Retention Tax Credit Program in the first quarter of 2023, which were recorded as a reduction of cost of sales and operating expenses, respectively. The cash benefit of this tax credit is not expected to be realized until 2024.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS measures that management uses to assess the Company's operating performance (see "Non-IFRS Measures" on page 3 of this MD&A). EBITDA and Adjusted EBITDA are reconciled as follows:

Reconciliation to Operating Income (Loss)

(in $000's)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating income (loss)	**384**	**(2,887)**	**3,271**	**N/A**
Depreciation and amortization	1,937	2,641	(704)	(26.7%)
EBITDA	**2,321**	**(246)**	**2,567**	**N/A**
Adjustments to EBITDA	(1,444)	470	(1,914)	N/A
Adjusted EBITDA	**877**	**224**	**653**	**> 100.0%**

Adjustments to EBITDA

(in $000's)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses for litigation relating to acquisition agreements	61	94	(33)	(35.1%)
Expenses relating to planned restructuring following an acquisition	15	83	(68)	(81.9%)
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	(2,458)	45	(2,503)	N/A
Corporate re-organization expenses	23	1	22	> 100.0%
Non-cash compensation	915	247	668	> 100.0%
Total	**(1,444)**	**470**	**(1,914)**	**N/A**

a) *Factors affecting Operating Income (Loss), EBITDA and Adjusted EBITDA*

The Company's operating income (loss), EBITDA and Adjusted EBITDA are highly impacted by sales volumes, the mix of product sales, operating expenses and investment in R&D related to new products.

b) *First Quarter of 2023 compared to First Quarter of 2022*

The Company's operating income in the first quarter of 2023 was $0.4 million compared to an operating loss of $2.9 million in the first quarter of 2022. The improvement was primarily due to lower operating expenses incurred as well as the lease termination gain and impairment recovery recorded in the first quarter of 2023, partially offset by lower gross profit compared to the prior year period.

The Company's Adjusted EBITDA in the first quarter of 2023 was $0.9 million compared to $0.2 million in the first quarter of 2022. Adjustments to EBITDA amounting to negative $1.4 million in the first quarter of 2023 are detailed in the chart above.

Net Loss

(in $000's except per share amounts)

	Three Months Ended March 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Loss before income taxes	(1,127)	(3,877)	2,750	(70.9%)
Income tax expense (recovery)	39	(804)	843	N/A
Net loss	**(1,166)**	**(3,073)**	**1,907**	**(62.1%)**
Basic and diluted net loss per share	($0.01)	($0.04)	$0.03	(75.0%)

a) *Factors affecting Net Loss*

The Company's net loss is influenced by the factors noted above for operating loss and EBITDA.

b) *First Quarter of 2023 compared to First Quarter of 2022*

The Company's net loss in the first quarter of 2023 was $1.2 million compared to a net loss of $3.1 million in the first quarter of 2022. The net loss in the first quarter of 2023 included a lease termination gain and impairment recovery of $2.7 million as a result of completing the lease transfer of the MMU facility in Vietnam. The net loss in the first quarter of 2023 was mainly attributable to interest expense and other finance expenses despite having an operating income of $0.4 million. On a per share basis, the first quarter of 2023 produced a net loss of $0.01 per share compared to a net loss of $0.04 per share in the first quarter of 2022.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	2023	**2022**				**2021**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Profit and Loss								
Revenue	**25,127**	29,785	29,967	30,134	30,974	27,196	30,216	21,622
Gross profit (loss)	**7,665**	7,938	7,902	9,015	8,056	8,782	6,282	(3,549)
Gross margin	**30.5%**	26.7%	26.4%	29.9%	26.0%	32.3%	20.8%	-16.4%
Net loss	**(1,166)**	(4,635)	(4,861)	(4,308)	(3,073)	(20,125)	(4,898)	(33,935)
Basic and diluted net loss per share	**($0.01)**	($0.06)	($0.06)	($0.05)	($0.04)	($0.26)	($0.07)	($0.64)
EBITDA*	**2,321**	(504)	(679)	(546)	(246)	(10,050)	(1,222)	(29,887)
Adjusted EBITDA*	**877**	606	92	323	224	864	(682)	(12,721)
Balance Sheet and Other								
Current assets	**50,132**	50,453	54,744	54,344	60,713	61,086	57,104	48,087
Total assets	**72,702**	74,384	80,811	81,751	89,993	93,033	110,166	102,127
Current liabilities	**66,197**	65,505	62,857	59,395	63,225	66,711	45,745	57,794
Non-current liabilities	**9,657**	12,139	17,305	17,505	17,921	14,541	36,903	22,544
Total liabilities	**75,854**	77,644	80,162	76,900	81,146	81,252	82,648	80,338
Net debt*	**22,589**	21,437	21,513	21,354	17,373	12,295	15,243	24,437
Backlog*	**35,181**	38,067	37,406	37,702	38,216	36,444	29,393	24,961

** EBITDA, Adjusted EBITDA, Net debt and Backlog are non-IFRS measures that management uses to assess the Company's operating performance, liquidity and business dynamics (see "Non-IFRS Measures" on page 3 of this MD&A).*

The Company's backlog was $35.2 million at March 31, 2023, a decrease of $2.9 million compared to the backlog at December 31, 2022 and a decrease of $3.0 million compared to the backlog at March 31, 2022. The decrease was mainly due to a significant lower level of backlog in the Mobile and Network business line as a result of across-the-board production volume reductions at its principal customer.

NET DEBT, CAPITAL RESOURCES AND LIQUIDITY

The Company's capital resources are in part used to fund working capital (see "Non-IFRS Measures" on page 3 of this MD&A) associated with product launches, to invest in design proposals for customers, and for capital investments required to sustain and expand business and manufacturing capabilities in order to meet customer demands.

Net Debt

(in $000's)

	As at March 31, 2023	**As at December 31, 2022**
	$	**$**
Total Debt	30,856	28,816
Less: Cash and cash equivalents	(8,267)	(7,379)
Net Debt	**22,589**	**21,437**

The Company had net debt as at March 31, 2023 and December 31, 2022 of $22.6 million and $21.4 million, respectively. The increase in net debt was mainly attributable to debt interest payments of $0.8 million as well as lease payments.

Liquidity

Management's approach is to ensure, to the extent reasonably possible, that sufficient liquidity exists to meet liabilities as they become due. We do so by monitoring cash flows, revenue and expenses compared to their budgeted amounts. Cash flow is reviewed with each business line management team on a weekly basis while other metrics such as the cash conversion cycle ("CCC") are reviewed with each business line management team on a monthly basis (see "Non-IFRS Measures" on page 3 of this MD&A). Management looks to these key indicators to ensure the Company is generating sufficient cash to maintain capacity and meet planned growth. For example, a low CCC implies a more efficient use of working capital employed.

Liquidity is impacted by the availability and maturity of the Company's revolving credit facility and term credit facility (see "Credit from banks and loans" on page 14 of this MD&A).

Working capital requirements

Working capital requirements are mainly for materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements could increase due to increased revenue, customer payment delays, increased inventory levels to meet additional demand, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at March 31, 2023, the Company's CCC was 37 days compared to 39 days* as at December 31, 2022. (*CCC as at December 31, 2022 has been restated to be comparable to current period, as customer prepayments were not included in the calculation of days payables outstanding until the first quarter of 2023.)

During the three months ended March 31, 2023, working capital decreased by $0.7 million. The decrease primarily resulted from the following factors:

a) Trade receivables as at March 31, 2023 were $16.8 million compared to $20.3 million as at December 31, 2022. The decrease was primarily due to lower trade receivables recorded in the latter part of the first quarter of 2023 as a result of lower revenue in the first quarter of 2023 compared to the fourth quarter of 2022, driven largely by the reduction in revenue in the Mobile and Network business line.

b) Other current assets as at March 31, 2023 were $5.8 million compared to $3.8 million as at December 31, 2022. The increase was mainly attributable to higher other receivables resulting from the completion of lease transfer of the MMU facility in Vietnam in the first quarter of 2023.

Commitment for capital expenditures

As at March 31, 2023, the Company had an aggregate commitment for capital expenditures of approximately $0.1 million.

Credit from banks and loans

On March 29, 2019, the Company entered into a credit agreement (the "Credit Agreement") with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") pursuant to which the Lenders established in favour of the Company a revolving credit facility (the "Revolving Facility") for up to $15 million and a term credit facility ("Term Loan") for up to $28.4 million (together, the "Credit Facilities"). The Credit Facilities are guaranteed by the Company's principal operating subsidiaries (other than those in Vietnam) and are secured by substantially all the assets of the Company and the guarantors. The Credit Agreement originally included financial covenants, including a Senior Debt to Equity Ratio and a Fixed Charge Coverage Ratio (each as defined in the Credit Agreement), minimum EBITDA (as defined in the Credit Agreement) and minimum Liquidity (as defined in the Credit Agreement). The Credit Agreement also includes other customary positive and negative covenants (including limitations on dispositions, additional debt, investments, distributions, capital expenditures, changes to the business and financial assistance), and events of default.

The availability of the Revolving Facility is based on the Company's accounts receivables and inventory balances. The interest rate on the Revolving Facility is determined based on the type of advance, the applicable margin and the Company's Senior Debt to EBITDA Ratio. Interest is payable monthly in arrears.

The Company may draw on its available revolving credit facilities under the Revolving Facility as well as revolving credit facilities with banks domiciled in China and South Korea, as needed. As at March 31, 2023, the Company's aggregate revolving credit facilities were $18.8 million, of which $16.0 million was drawn and utilized. As at March 31, 2023, $13.5 million was outstanding under the Revolving Facility.

The principal amount under the Term Loan was fully advanced in US dollars and was used to repay existing indebtedness. Quarterly principal repayments in the amount of $1.0 million commenced on June 30, 2019, with the scheduled principal repayments for June 30 and September 30, 2020 being deferred with the consent of the Lenders.

The Credit Agreement has previously been amended, most recently as of May 2, 2023. The effect of these amendments is that:

- the maturity date of the Credit Facilities is September 29, 2023;
- the interest rate on the Credit Facilities is based on the US Base Rate (as defined in the Credit Agreement);
- the Senior Debt to EBITDA Ratio and Fixed Charge Coverage Ratio does not apply during the remaining term of the Credit Facilities;
- the Company is required to maintain a minimum Liquidity of $3 million until May 31, 2023 and $4 million thereafter;
- the Company is required to maintain a minimum EBITDA for the twelve months ending September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023;
- the maximum availability under the Revolving Facility is $15 million; and,
- at any time the Senior Debt to EBITDA Ratio is equal to or more than 2.75:1.00, the margin on US Base Rate loans is 2.50% and the standby fee is 0.70%.

The Credit Facilities are currently advanced in US dollars. With effect from March 29, 2022, the US Base Rate applies to the Credit Facilities, with the interest rate being 11.00% as at March 31, 2023 (including the applicable margin of 2.50%).

Galtronics Vietnam Dai Dong Company Limited ("GTD"), one of the Company's subsidiaries in Vietnam, and HSBC Bank (Vietnam) Ltd. ("HSBC Vietnam"), are parties to a credit agreement dated October 14, 2020, as amended (the "Vietnam Credit Agreement"), pursuant to which HSBC Vietnam established a credit facility in favour of GTD for up to $3.3 million in Vietnamese Dong currency equivalent (the "Vietnam Loan"). As at March 31, 2023, $0.6 million was outstanding under the Vietnam Loan. The interest rate on the Vietnam Loan is determined based on the base lending rate in Vietnam plus a margin of up to 2%, and the interest is payable semi-annually in arrears. The Vietnam Loan matures on August 18, 2023. It is repayable in four equal quarterly amounts, of which there are two payments of $0.3 million remaining on May 18, 2023 and on maturity. The Company's other Vietnamese subsidiary, Galtronics Vietnam Co., Ltd. ("GTV"), is a guarantor of the Vietnam Loan. The Vietnam Loan is secured by certain assets of GTD and GTV. The Vietnam Credit Agreement includes customary covenants and events of default. Baylin is a guarantor of the Vietnam Loan.

Convertible debentures

On July 10, 2018, the Company issued $17.25 million of extendible convertible unsecured debentures (the "Debentures"). The Debentures bear interest at a rate of 6.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year and mature on July 10, 2023 (the "Maturity Date").

The Debentures are convertible at the holder's option into common shares of Baylin at any time prior to the close of business on the earlier of: (i) the last business day before the Maturity Date; or, (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of $3.85 per common share (the "Conversion Price"), being a ratio of approximately 260 common shares per $1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the convertible debenture indenture dated July 10, 2018 (the "Indenture").

The Company may, at its option, subject to receipt of any required regulatory approvals, elect to satisfy its obligation to repay the principal amount of the Debentures at maturity, provided no Event of Default (as defined in the Indenture) has occurred and is continuing at such time, upon not more than 60 days' and not less than 40 days' prior written notice, by delivering that number of freely tradeable common shares obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price (which will be calculated based on the 20 consecutive trading days ending five trading days before the Maturity Date). Current Market Price means the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the applicable date.

Following approval of the holders of Debentures on April 8, 2021 and of the shareholders of the Company on May 11, 2021, the Indenture was amended (the "Amendment") to reduce, for a period of 30 days, the Conversion Price from $3.85 to $1.11, the current market price of the common shares at the time the Amendment became effective on May 19, 2021 determined in accordance with the Amendment (the "New Conversion Price"). The terms of the Debentures otherwise remained unchanged. As a result of the Amendment, holders of $12.135 million principal amount of the Debentures converted their Debentures into 10,932,429 common shares of the Company at the New Conversion Price, leaving $5.115 million of the Debentures outstanding. The 30-day period during which the New Conversion Price remained in effect ended on June 18, 2021, following which the Conversion Price reverted to $3.85.

Upon a Change of Control (as defined in the Indenture) of the Company, the Company may be required to repurchase the Debentures, at the option of the holder, in whole or in part, at a price equal to 101% of the principal amount of the Debentures outstanding, plus accrued interest.

The Debentures are classified as financial liabilities at fair value through profit or loss and are measured at fair value with changes recognized in the consolidated statement of net income (loss). Further details of the Debentures are set out in the Indenture filed under the Company's profile on SEDAR at www.sedar.com.

SHARE-BASED PAYMENTS

Omnibus Equity Incentive Plan

On August 13, 2020, the shareholders of the Company approved a new Omnibus Equity Incentive Plan (as amended and restated as of March 9, 2022, the "Omnibus Plan"). The Omnibus Plan permits the board of directors to grant a wide range of long-term incentive awards to participants. The awards include deferred share units ("DSUs"), which are for directors only, performance share units ("PSUs"), restricted share units ("RSUs") and stock options. The Omnibus Plan replaced the separate Deferred Share Unit Plan ("DSU Plan"), Stock Option Plan and Employee Share Compensation Plan ("ESCP"). Awards granted after August 13, 2020 are governed by the Omnibus Plan. Awards granted before that date will continue to be governed by the plan under which they were granted. The number of common shares issuable under the Omnibus Plan, and any other security-based compensation arrangements, including the DSU Plan, Stock Option Plan and ESCP, may not exceed 10% of the number of common shares outstanding from time to time. However, the Omnibus Plan is an "evergreen plan", meaning that any awards that are exercised or settled or terminated without being exercised or settled are available for subsequent grant and do not reduce the number of common shares available to be granted. There are also limitations on the number of common shares that may be issued to insiders. At the annual meeting of shareholders of the Company scheduled for May 11, 2023, the Company will be seeking shareholder approval to increase the maximum number of common shares that may be issued under the Omnibus plan from 10% to 12% of the number of common shares outstanding from time to time.

The Company may settle DSUs, PSUs and RSUs in (i) common shares issued from treasury, (ii) common shares purchased in the market, (iii) cash or (iv) a combination of common shares and cash. Holders of stock options may exercise their options, (i) by paying the option exercise price or (ii) with the consent of the Company, through a cashless exercise or by receiving a cash payment in lieu of shares.

Unless otherwise approved by the board of directors, eligible directors must elect to receive at least 50% and up to 100% of their annual retainers in DSUs or restricted common shares of Baylin. The DSUs and restricted common shares are issued on a monthly basis while the director serves as a board member and vest immediately. The DSUs are settled after the member ceases to be a director.

The following table lists the number of DSUs outstanding as at March 31, 2023 and March 31, 2022:

	Number of DSUs	**Weighted Average Price**
DSUs outstanding as at January 1, 2023	1,537,514	$1.04
DSUs granted during 2023 up to March 31, 2023	158,172	$0.44
DSUs outstanding as at March 31, 2023	1,695,686	$0.99

	Number of DSUs	**Weighted Average Price**
DSUs outstanding as at January 1, 2022	923,315	$1.45
DSUs granted during 2022 up to March 31, 2022	77,843	$0.89
DSUs outstanding as at March 31, 2022	1,001,158	$1.40

The Company recognized a DSU expense of $0.1 million during the three months ended March 31, 2023, which was included in G&A expenses.

Stock Option Grants

Stock options may be granted by the board of directors to officers, employees and consultants of the Company (or its subsidiaries or investee entities) as performance incentives. At the time of granting a stock option, the board of directors will determine: (i) the exercise price, being not less than the market value of the common shares; (ii) the vesting provisions, generally being over three to five years, with an equal number of common shares vesting on each anniversary of the grant date, and (iii) the expiry date, generally being no more than seven years after the grant date.

The table below summarizes stock option grants as at March 31, 2023:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at March 31, 2023	Options vested as at December 31, 2022	Options exercised, surrendered, expired or cancelled as at March 31, 2023	Options net outstanding as at March 31, 2023
Mar. 30, 2017	685,000	$1.98	Mar. 30, 2022	-	-	685,000	-
Aug. 8, 2017	500,000	$2.00	Aug. 8, 2022	-	-	500,000	-
Mar. 10, 2018	30,000	$3.51	Mar. 10, 2023	-	-	30,000	-
May 17, 2018	275,000	$3.34	May 17, 2023	-	-	275,000	-
May 22, 2018	25,000	$3.34	May 22, 2023	-	-	25,000	-
Jul. 11, 2018	197,500	$3.50	Jul. 11, 2023	81,200	81,200	187,500	10,000
Nov. 9, 2018	250,000	$3.84	Nov. 9, 2023	250,000	250,000	-	250,000
Mar. 25, 2019	325,000	$3.89	Mar. 25, 2024	-	-	325,000	-
May 21, 2019	270,000	$3.57	May 21, 2024	180,000	250,000	20,000	250,000
Aug. 16, 2019	60,000	$3.18	Aug. 16, 2024	-	-	60,000	-
Nov. 23, 2020	150,000	$0.87	Nov. 23, 2025	-	100,000	150,000	-
Jun. 21, 2021	900,000	$1.05	Jun. 21, 2026	300,000	300,000	900,000	-
Aug. 23, 2021	75,000	$0.78	Aug. 23, 2026	25,000	25,000	75,000	-
Jan. 4, 2022	400,000	$0.86	Jan. 4, 2027	133,333	-	400,000	-
Mar. 21, 2022	2,285,000	$0.79	Mar. 21, 2027	-	-	2,095,000	190,000
May 23, 2022	150,000	$0.59	May 23, 2027	37,500	24,996	-	150,000
Sep. 26, 2022	5,000	$0.33	Sep. 26, 2027	-	-	-	5,000
Nov. 21, 2022	14,000	$0.21	Nov. 21, 2027	-	-	-	14,000
	6,596,500			1,007,033	1,031,196	5,727,500	869,000

The Company recognized a stock option expense of $0.8 million during the three months ended March 31, 2023, which was included in G&A expenses. In March 2023, employees with outstanding out-of-the-money options were given the opportunity to have their options cancelled on a voluntary basis. As a result, effective March 29, 2023, 3,606,000 options were cancelled. Any further regrants are subject to approval of the board of directors and must be made in accordance with the rules of the Toronto Stock Exchange.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements consist of the Credit Facilities disclosed in “Credit from banks and loans” section of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

Private Placements

On December 15, 2020, the Company issued by way of private placement 6,666,700 Units at $0.75 each for proceeds of $5 million, each Unit comprising one Common Share and one-half of a common share purchase warrant. Each whole warrant (of which there were 3,333,350) entitled the holder to acquire one Common Share at an exercise price of $1.05 per Common Share. 2385796 Ontario Inc. (the “Principal Shareholder”), a company over which Mr. Jeffrey C. Royer, the Company’s Chairman of the Board of Directors, exercises investment control, and another insider purchased a total of 1,416,600 Units. In March 2021, the Principal Shareholder and the other insider exercised their warrants to acquire 708,300 Common Shares.

On June 17, 2021, the Principal Shareholder exercised its right as a holder of Convertible Debentures to convert $8,692,000 principal amount of the Convertible Debentures (representing its entire holding) into 7,830,630 Common Shares at a conversion price of $1.11.

In August 2021, the Company announced a private placement of a minimum of 11,765,000 Common Shares and up to a maximum of 17,648,000 Common Shares. On September 1, 2021, the Company completed the first tranche of the private placement, issuing 11,765,000 Common Shares at a price of $0.85 per Common Share for proceeds of $10 million, all of which were purchased by the Principal Shareholder. On October 21, 2021, the Company completed the second (and final) tranche of the private placement, issuing 5,883,000 Common Shares at a price of $0.85 per Common Share for proceeds of $5 million, of which the Principal Shareholder purchased 5,460,192 Common Shares and other insiders of the Company purchased the remaining 422,808 Common Shares. The Company relied on the "financial hardship" exemption available to it under the rules of the Toronto Stock Exchange to permit the Principal Shareholder and other insiders to purchase more than 10% of the number of Common Shares then outstanding without having to obtain disinterested shareholder approval.

Executive officer remuneration

Short-term benefits, pension and post-retirement benefits of the Company's executive officers amounted to $1.3 million for the three months ended March 31, 2023 compared to $1.3 million for the three months ended March 31, 2022. These amounts comprise of executive officers' salary and benefits earned during the year, plus bonuses awarded for the year. The amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the current year of service.

Other

The Company retains the services of Mr. Jeffrey C. Royer, pursuant to a services agreement between Mr. Royer and the Company dated as of January 1, 2015, to fulfill the position of Chairman of the board of directors and to provide related strategic leadership and guidance to the board of directors and management of the Company. As Chairman of the board of directors, Mr. Royer is entitled to an annual fee of $125,000. For the three months ended March 31, 2023, the Company paid $31,250 in cash to Mr. Royer.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

For a detailed review of critical accounting estimates associated with the Company, refer to the "Significant Accounting Judgements, Estimates And Assumptions" section of the Company's MD&A for the three and twelve months ended December 31, 2022, which is available under the Company's profile on SEDAR at www.sedar.com.

There were no changes to our critical accounting estimates in financial reporting during the three months ended March 31, 2023.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The business of the Company is subject to various financial risks such as interest rate risk, foreign exchange risk, credit risk, and liquidity risk. Our risk management focuses on activities that reduce to a minimum any adverse effects on our consolidated financial performance.

With respect to interest rate risk, the interest rate on the Credit Facilities is based on the US Base Rate, which is a variable rate of interest (see "Credit from banks and loans" on page 14 of this MD&A). As such, the US Base Rate is sensitive to fluctuations in market interest rates, which are affected in turn by central bank policies aimed at controlling inflationary pressures within an economy. As interest rates rise, the Company's cost of borrowing will increase, requiring it to fund the additional interest cost from its cash resources. Each 1% increase in the interest rate applicable to the Credit Facilities will result in additional interest cost of approximately $0.2 million annually (assuming $26.6 million remains outstanding under the Credit Facilities).

For further review of the other financial risks associated with the Company, refer to the "Risk Management and Financial Instruments" section of the Company's MD&A for the three and twelve months ended December 31, 2022, which is available under the Company's profile on SEDAR at www.sedar.com.

Except as set forth in this MD&A and the notes to our unaudited interim condensed consolidated financial statements, there were no additional risks identified during the three months ended March 31, 2023, and there were no changes to our use of financial instruments during the three months ended March 31, 2023.

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were issued and outstanding:

- 80,401,693 common shares; and,
- $5.115 million principal amount of Debentures.

The number of common shares issuable under the Omnibus Plan and any other security-based compensation arrangements of the Company may not exceed 10% of the number of common shares outstanding from time to time, being as at the date of this MD&A 8,040,169 common shares. As at the date of this MD&A, 5,422,453 common shares are available to be issued under the Omnibus Plan.

The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earlier of: (i) the last business day before the Maturity Date; or, (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of $3.85 per common share, being a ratio of approximately 260 common shares per $1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the Indenture.

The Company may, at its option, subject to receipt of any required regulatory approvals, elect to satisfy its obligation to repay the principal amount of the Debentures at maturity, provided no Event of Default (as defined in the Indenture) has occurred and is continuing at such time, upon not more than 60 days' and not less than 40 days' prior written notice, by delivering that number of freely tradeable common shares obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price. Current Market Price means the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the applicable date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in those filings and reports is accumulated and communicated to management (including the Chief Executive Officer and Chief Financial Officer, as appropriate) to allow timely decisions regarding required disclosure.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements in accordance with IFRS.

There were no changes in our internal control over financial reporting during the three months ended March 31, 2023 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the most recently filed Annual Information Form and Management Information Circular, is available under the Company's profile on SEDAR at www.sedar.com.

RISK FACTORS

For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's Annual Information Form dated March 8, 2023, which is available under the Company's profile on SEDAR at www.sedar.com.