BAYLIN TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

(Canadian dollars in thousands)

INDEX

Date of approval of consolidated financial statements: **March 20, 2024**

"Jeffrey C. Royer"	*"Leighton Carroll"*	*"Dan Nohdomi"*
Jeffrey C. Royer	**Leighton Carroll**	**Dan Nohdomi**
Chairman of the Board of Directors	**Chief Executive Officer**	**Chief Financial Officer**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Baylin Technologies Inc.

Opinion

We have audited the consolidated financial statements of Baylin Technologies Inc. (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Going Concern</u>

The consolidated financial statements have been prepared on a going concern basis as discussed in note 4.

The Group has concluded that no material uncertainties exist which may cast significant doubt on its ability to continue as a going concern. Given management has applied judgement as to the Group's ability to (i) fund operating and debt service requirements for the next 12 months and (ii) to refinance the Revolving Facility when it matures on June 30, 2024, the Group has included going concern as a significant judgement.

The going concern assumption is included as a key audit matter, given the high degree of subjectivity in judgements and assumptions made by the Group, when estimating future cash flows and assessing the Group's ability to execute its plans to refinance the debt maturing on June 30, 2024. These significant assumptions involve a high degree of estimation uncertainty and complexity. This has resulted in significant audit effort and a high degree of auditor judgement to assess the appropriateness of management's position.

How our audit addressed the Key Audit Matter

- Developed an understanding of management's plans for obtaining additional financing through discussions with management and review of correspondence with potential lenders.

- Evaluated the reasonableness of the financing plans and assumptions by inspecting draft term sheets from potential lenders.
- Assessed the Group's cash flow requirements by evaluating the results of current operations and management's budgets and cash flow forecasts including key assumptions such as revenue and operating cost projections, and future capital expenditure estimates.
- Evaluated management's ability to project future cash flows by comparing previous forecasts to actual results.
- Evaluated disclosures in the consolidated financial statements in accordance with IAS 1.

<u>Valuation of Long-Lived Assets</u>

Refer to consolidated financial statement Note 3: Material Accounting Policy Information; and Note 12: Intangibles

The Group carries out an impairment test when events or changes in circumstances indicate that the carrying amount of an asset or cash generating unit ("CGU") may exceed its recoverable amount.

The Group performed impairment tests with assistance from an external valuation expert as a result of indicators of impairment on its three CGU's. An impairment loss is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount. To estimate the value in use of the CGU's, the Group used the discounted cash flow model based on a five-year projection period, together with a terminal value, which requires management to make significant estimates and assumptions related to the cash flow forecast, growth rate, and discount rate, based on historical results and industry data. During the year, the Group determined that the CGU's had recoverable amounts that exceeded carrying values and as such, no impairment was recognized.

We considered the valuation of long-lived assets to be a key audit matter due to the significant judgements made by management to determine the assumptions and estimates underlying the calculations of recoverable amount. Assessing the reasonableness of these assumptions, including the cash flow forecast, growth rate and the discount rate, required significant auditor judgement and increased audit effort, including the use of valuation specialists, as changes in these assumptions could have a significant impact on either value in use, the amount of any impairment charge, or both.

How our audit addressed the Key Audit Matter

- We evaluated management's ability to accurately project future cash flows from operations by comparing the Group's historical forecasts to actual results.
- We evaluated the reasonableness of inputs including revenue and expense projections used in management's cash flow forecasts by considering each of the CGU's historical revenue and results, industry growth, current customers, and the Group's backlog.
- We involved internal valuation professionals with specialized skills and knowledge, who assisted in:
    - Evaluating the appropriateness of the impairment valuation models employed by management.
    - Assessing the methodology used by management in the determination of the discount rates employed in the valuation.
    - Evaluating the discount rates used in the impairment assessment by comparing to discount rate ranges that were independently developed using publicly available market data for comparable companies.

Assets Held for Sale and Discontinued Operations

Refer to consolidated financial statement Note 3: Material Accounting Policy Information; Note 4: Significant Accounting Judgements, Estimates and Assumptions; and Note 13: Assets and Liabilities Held for Sale and Discontinued Operations

As at December 31, 2023, the Group has classified the assets and liabilities of the Mobile & Network business unit (M&N), which consists of Galtronics Vietnam and Galtronics Korea as held for sale in the consolidated statements of financial position and presented M&N as a discontinued operation in the consolidated statements of loss and comprehensive loss.

The Group determined that the criteria for classifying the assets and liabilities of M&N as held for sale under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, (“IFRS 5”) were met as at December 31, 2023. Accordingly, the assets and liabilities held for sale were classified as held for sale and measured at the lower of its carrying amount and fair value less costs to sell. In addition, the Group determined that M&N met the definition of a discontinued operation under IFRS 5 and accordingly, the balances included in profit or loss related to M&N were presented as a discontinued operation in the consolidated statements of loss and comprehensive loss with a corresponding reclassification of the related amounts in the prior year to conform to the current year’s presentation.

We considered this a key audit matter due to the qualitative and quantitative significance of the discontinued operations in M&N and the significant judgement applied by management in evaluating whether the assets and liabilities of M&N met the criteria to be classified as held for sale and presented as a discontinued operation under IFRS 5. Assessing the reasonableness of these judgements required significant auditor attention and effort.

How our audit addressed the Key Audit Matter

Our audit procedures related to the assets held for sale and discontinued operations included the following, among others:

- Assessed management's analysis of whether M&N met the criteria under IFRS 5 for assets held for sale and a discontinued operation.
- Assessed the classification of the assets held for sale in the consolidated statement of loss and comprehensive loss and evaluated the accuracy and completeness of the IFRS 5 disclosures in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Grand Lui.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 20, 2024
Toronto, Ontario

Baylin Technologies Inc.

Consolidated Statements of Financial Position

Canadian dollars in thousands

		December 31, 2023	December 31, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 4,903	$ 7,379
Trade and other receivables	Note 6	8,861	20,294
Inventories	Note 8	17,623	18,370
Assets held for sale	Note 13	7,885	552
Other current assets	Note 7	3,959	3,858
		43,231	50,453
NON-CURRENT ASSETS			
Property, plant and equipment	Note 9	4,413	10,344
Right of use assets	Note 10	7,798	9,114
Equity method investment	Note 23	167	133
Intangibles	Note 12	2,930	4,261
Other long-term assets	Note 11	1,171	79
		16,479	23,931
TOTAL ASSETS		$ 59,710	$ 74,384
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks	Note 14	$ 17,690	$ 12,688
Accounts payable and accrued liabilities	Note 15	20,293	29,963
Term loans	Note 14	-	16,232
Short-term portion of lease liabilities	Note 10	901	1,692
Liabilities related to assets held for sale	Note 13	8,854	-
Income tax payable	Note 20	57	326
		47,795	60,901
NON-CURRENT LIABILITIES			
Long-term portion of lease liabilities	Note 10	6,747	9,611
Employee benefit liabilities, net	Note 18	-	1,781
Convertible debentures	Note 16	3,321	4,604
Deferred tax liabilities	Note 20	-	447
Other long-term liabilities	Note 26, 17	1,883	300
		11,951	16,743
TOTAL LIABILITIES		59,746	77,644
SHAREHOLDERS' DEFICIT			
Share capital	Note 21	187,767	172,790
Share-based payment reserve	Note 22	7,728	5,525
Accumulated other comprehensive income		11,126	11,230
Accumulated deficit		(206,657)	(192,805)
TOTAL DEFICIT		(36)	(3,260)
TOTAL LIABILITIES AND DEFICIT		$ 59,710	$ 74,384

Commitments (Note 19), Related party transactions and litigation (Note 25), Subsequent events (Note 30)

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

Baylin Technologies Inc.

Consolidated Statements of Loss and Comprehensive Loss

Canadian dollars in thousands except per share and weighted average share figures

		For the year ended December 31, 2023	2022
Revenues	Note 27	$ 73,041	$ 78,221
Cost of sales	Note 28	44,643	49,369
Gross profit		28,398	28,852
Operating expenses			
Selling and marketing expenses	Note 28	7,104	6,820
Research and development expenses	Note 28	11,455	10,666
General and administrative expenses	Note 28	18,637	21,236
Gain on lease termination and sale of non-current assets	Note 10, 13	(3,356)	-
		33,840	38,722
Operating loss		(5,442)	(9,870)
Finance expense, net	Note 29	3,825	2,892
Investment (income) expense, net	Note 23	(33)	56
Fair value adjustments	Note 26	(1,163)	(256)
Loss before income taxes		(8,071)	(12,562)
Income tax expense	Note 20	146	101
Net loss from continuing operations		$ (8,217)	$ (12,663)
Net loss from discontinued operations	Note 13	(5,635)	(4,214)
Net Loss		$ (13,852)	$ (16,877)
Items that may be reclassified to profit or loss - continuing operations			
Amount arising from translation of foreign operations, net of tax - continuing operations		(579)	(501)
Other comprehensive (loss) income (net of tax effect), continuing operations		(579)	(501)
Items that may be reclassified to profit or loss - discontinued operations			
Amount arising from translation of foreign operations, net of tax - discontinued operations		514	(83)
Items that will not be reclassified to profit or loss - discontinued operations			
Actuarial loss, net of tax - discontinued operations	Note 18	(39)	1,045
Other comprehensive (loss) income (net of tax effect), discontinued operations		475	962
Other comprehensive (loss) income (net of tax effect)		$ (104)	$ 461
Total comprehensive loss		$ (13,956)	$ (16,416)
Basic and diluted net loss per common share - Continuing operations	Note 24	$ (0.10)	$ (0.16)
Basic and diluted net loss per common share - Discontinued operations	Note 24	$ (0.06)	$ (0.05)
Basic and diluted net loss per common share	Note 24	$ (0.16)	$ (0.21)
Weighted average shares outstanding	Note 24	87,303,110	80,165,063

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

Baylin Technologies Inc.

Consolidated Statements of Changes in Equity

Canadian dollars in thousands except number of shares outstanding

	Number of common shares outstanding	Share capital	Share-based payment reserve	Accumulated Deficit	Accumulated other comprehensive income	Total equity (deficit)
Balance as of January 1, 2023	80,304,975	$ 172,790	$ 5,525	$ (192,805)	$ 11,230	$ (3,260)
Net loss	-	-	-	(13,852)	-	(13,852)
Other comprehensive loss	-	-	-	-	(104)	(104)
Share-based payment	-	-	2,203	-	-	2,203
Share issuances	70,518,611	14,977	-	-	-	14,977
Balance as of December 31, 2023	150,823,586	$ 187,767	$ 7,728	$ (206,657)	$ 11,126	$ (36)

	Number of common shares outstanding	Share capital	Share-based payment reserve	Accumulated Deficit	Accumulated other comprehensive income	Total equity (deficit)
Balance as of January 1, 2022	80,095,014	$ 172,700	$ 4,240	$ (175,928)	$ 10,769	$ 11,781
Net loss	-	-	-	(16,877)	-	(16,877)
Other comprehensive income	-	-	-	-	461	461
Share-based payment	-	-	1,285	-	-	1,285
Share issuances	209,961	90	-	-		90
Balance as of December 31, 2022	80,304,975	$ 172,790	$ 5,525	$ (192,805)	$ 11,230	$ (3,260)

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

Baylin Technologies Inc.

Consolidated Financial Statements of Cash Flows

Canadian dollars in thousands, unless otherwise stated

	For the year ended December 31, 2023	2022
Cash flows from operating activities		
Net loss from continuing operations	$ (8,217)	$ (12,663)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities		
Share-based payment	2,265	1,375
Depreciation	2,550	2,857
Amortization	1,332	5,021
Finance expense, net	3,825	2,892
Gain from sale of property, plant and equipment	(10)	(17)
Lease termination gain and impairment recovery	(3,356)	-
Inventory provision	391	-
Share of net (income) loss of equity method investment	(33)	56
Income tax expense	146	101
Fair value adjustment	(1,162)	(256)
Government grant receivable	(1,171)	-
Unrealized foreign exchange gain	1,398	2,746
	6,175	14,775
Changes in asset and liability items		
Decrease (increase) in trade receivables	7,611	(476)
Increase in other current assets	(635)	(1,097)
Increase in inventories	(1,873)	(3,157)
Increase (decrease) in trade payables and other current liabilities	(2,119)	1,082
	2,984	(3,648)
Cash paid and received during the year for		
Interest paid, net	(3,946)	(2,700)
Taxes paid, net	(547)	-
	(4,493)	(2,700)
Net cash used in operating activities - continuing operations	(3,551)	(4,236)
Net cash used in operating activities - discontinued operations	(3,525)	(1,221)
Net cash used in operating activities	(7,076)	(5,457)
Cash flows from investing activities		
Purchase of property, plant and equipment	$ (312)	$ (1,627)
Proceeds from sale of property, plant and equipment	39	23
Proceeds from sale of assets held for sale	240	-
Net cash used in investing activities - continuing operations	(33)	(1,604)
Cash flows from financing activities		
Cash received from issuance of common shares	$ 14,809	$ -
Cash received from issuance of preferred shares	1,700	-
Borrowing (repayment) from credit from banks and term loans	4,753	(1,238)
Repayment of term loan	(15,283)	(3,900)
Principal elements of lease payments	(870)	(1,116)
Net cash generated by (used in) financing activities - continued operations	5,109	(6,254)
Net cash used in financing activities - discontinued operations	(262)	-
Net cash generated by (used in) financing activities	4,847	(6,254)
Exchange differences on balances of cash and cash equivalents	(214)	1,020
Decrease in cash and cash equivalents	$ (2,476)	$ (12,295)
Cash and cash equivalents at the beginning of the period	7,379	19,674
Cash and cash equivalents at the end of the period	$ 4,903	$ 7,379

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

NOTE 1: NATURE OF OPERATIONS

Corporate information

Baylin Technologies Inc. (“Baylin”) was incorporated pursuant to the laws of the Province of Ontario on September 24, 2013. Baylin's registered office is located at 181 Bay Street, Suite 1800, Toronto, Ontario, Canada.

Baylin, together with its subsidiaries (collectively, the “Company” or the “Group”), is a diversified global wireless technology company focused on the research, design, development, manufacture and sale of passive and active radio frequency (“RF”) and 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. Baylin's common shares and convertible debentures are publicly traded on the Toronto Stock Exchange (TSX: BYL and BYL.DB).

Approval of financial statements

These consolidated financial statements of the Company for the years ended December 31, 2023 and December 31, 2022, have been prepared by management and were authorized for issuance in accordance with a resolution of the board of directors on March 20, 2024.

NOTE 2: BASIS OF PREPARATION

The consolidated financial statements for the years ended December 31, 2023 and December 31, 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations by the IFRS Interpretations Committee.

NOTE 3: MATERIAL ACCOUNTING POLICY INFORMATION

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented, except as discussed in Note 5. The consolidated financial statements have been prepared on a historical cost basis, except for the measurement of the convertible debentures, preferred shares and foreign exchange forward contracts at fair value.

Consolidated financial statements

The consolidated financial statements comprise the financial statements of companies that are controlled by Baylin. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the subsidiaries commences on the date on which control is obtained and ends when such control ceases.

Canadian dollars in thousands, unless otherwise stated

Subsidiaries are all those entities over which Baylin has control. Baylin controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct activities of the entity. Subsidiaries are fully consolidated from the date on which control is obtained by Baylin. They are de-consolidated from the date that control ceases.

Where Baylin loses control over a subsidiary, it derecognizes the assets, including goodwill, liabilities and non-controlling interest in the subsidiary, together with any cumulative translation differences recognized in equity. Baylin recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

The financial statements of the subsidiaries are prepared as of the same dates and periods as the consolidated financial statements. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group, which is considered to have one operating and reportable segment. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

The Group’s composition is made of the following principal subsidiaries:

Name of entity	Country of incorporation or registration	Ownership interest held as at December 31, 2023	Ownership interest held as at December 31, 2022
Galtronics USA	United States of America	100%	100%
Galtronics Wuxi	China	100%	100%
Galtronics Korea	Korea	100%	100%
Galtronics Vietnam	Vietnam	100%	100%
Advantech Wireless Technologies	Canada	100%	100%
Advantech Wireless Technologies (USA)	United States of America	100%	100%

The subsidiaries have share capital consisting solely of common or ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of financial position, consolidated statements of loss and comprehensive loss and statements of changes in equity.

Functional currency and foreign currency

a. Presentation currency

These consolidated financial statements have been prepared in Canadian Dollars (“CAD”), which is the presentation currency of the Company.

b. Functional currency

The Group determines the functional currency of each subsidiary, and this currency is used to separately measure each subsidiary's financial position and operating results. The functional currency of Baylin is CAD. The functional currency of each subsidiary is the currency of its respective country of incorporation or registration.

Where a subsidiary's functional currency differs from the Company's presentation currency, that subsidiary's financial statements are translated into the Company's presentation currency so that they can be included in the consolidated financial statements. Assets and liabilities are translated at the closing exchange rate at the end of each reporting period. Profit or loss items are translated at average exchange rates for the relevant periods. All resulting translation differences are recognized as a component of other comprehensive income (loss) and as a component of accumulated other comprehensive income (loss) in equity.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned or likely to occur in the foreseeable future and which in substance is considered a net investment in the foreign operation, are recognized in accumulated other comprehensive income within equity.

c. Foreign currency

Transactions denominated in foreign currency are recorded initially at an exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Raw materials are measured at cost of purchase using the weighted-average cost method. Work in progress and finished goods are measured on the basis of average costs including materials, labour and other direct and indirect manufacturing costs. The Company periodically evaluates the condition and age of inventories and makes provisions to decrease inventories to net realizable value accordingly.

Revenue recognition

The Company recognizes revenue in line with IFRS 15 Revenue from contracts with customers, which utilizes a single model for recognizing revenue from contracts with customers. Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

For each contract with a customer, the Company applies the following five step model:

1. Identify the contract with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price which takes into account estimates of variable consideration and the time value of money

4. Allocate the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered

5. Recognize revenue when the performance obligation is satisfied and in a manner that depicts the transfer of the goods or services promised to the customer

Sales of goods and services rendered by the Company do not contain separate performance obligations. Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is at the time of shipment or delivery depending on the agreed terms with the customer. Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

For bill-and-hold arrangements where the Company bills a customer for a product but retains physical possession of the product until it is transferred to the customer in the future, the Company only recognizes revenue when the customer obtains control over the product. In addition, the reason for the bill-and-hold arrangement must be substantive, the product must be identified separately as belonging to the customer, the product currently must be ready for transfer to the customer and the Company cannot have the ability to use the produce or to direct it to another customer.

Government grants

The Company recognizes government grants at fair value when there is reasonable assurance that the Company will comply with the conditions attached to the grants and the grant will be received. Forgivable loans from the government are treated as a government grant when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. The Government grant is recognized in cost of goods sold and operating expenses on a systematic basis over the periods that the Company recognizes the related expenses for which the grants are intended to compensate.

Assets and liabilities held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continued use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and the fair value less costs of disposal. Impairment losses recognized upon initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in the statement of loss and comprehensive loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

A disposal group qualifies as discontinued operations if it is a component of an entity that has either been disposed of, or is classified as held for sale, and (i) represents a separate major line of business or geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resale. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of loss and comprehensive loss and comparative periods have been restated.

Income taxes

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or directly in equity.

a. Current taxes

   The current tax liability is measured using the tax rates and tax laws that are in effect by the end of the reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

b. Deferred taxes

Deferred taxes represent temporary differences between the carrying amounts in the consolidated financial statements and the amounts attributed for tax purposes (except for temporary differences related to investments in subsidiaries), to the extent that it is probable that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at the tax rates that are expected to apply when the asset is realized, or the liability is settled, based on tax laws that are in effect or substantively in effect by the end of the reporting period. Deferred taxes in profit or loss represent the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to items recognized in other comprehensive income or in equity.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Temporary differences and loss carry-forward balances for which deferred tax assets have not been recognized are reviewed at the end of each reporting period and a deferred tax asset is recognized to the extent that its realization is probable.

All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset in the consolidated statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Leases

To determine whether a contract contains a lease, the Company applies the definition of a lease under IFRS 16, namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases assets, including buildings, machinery and equipment, vehicles and office equipment. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for all leases except where the Company has elected to use the practical expedient not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases under one year that are not expected to renew. The Company has recognized low-value assets and short-term lease payments as an expense on a straight-line basis over the lease term. The Company has also elected to apply the practical expedient not to separate non-lease components from lease components for which the Company is the lessee and has accounted for the combined amounts as a single lease component.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost of the lease liability, adjusted for lease prepayments and lease incentives, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments remaining unpaid at the commencement date discounted using the interest rate implicit in the lease, or if not readily determinable, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not be exercised.

Property, plant and equipment

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, and accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes initial spare parts and auxiliary equipment that are used in connection with plant and equipment.

A component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	Useful Life in Years
Buildings (excluding land component)	25 – 50
Machinery and equipment	3 – 10
Motor vehicles	5 – 7
Office furniture, computers and peripheral equipment	3 – 20
Leasehold improvements	Shorter of lease term and expected life

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount in the consolidated financial statements) is included in profit or loss when the asset is derecognized. Assets under construction are not amortized until they are available for use in the manner intended.

Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets, which include right of use assets, property, plant and equipment, intangibles and goodwill, whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss is limited to the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years, and its recoverable amount. The reversal of impairment loss of an asset is recognized in profit or loss.

Intangibles

Intangible assets are recognized at cost, which for intangible assets acquired in a business combination is their fair value at the acquisition date. Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful life is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Depreciation is calculated on a straight-line basis over the useful life of the assets at an annual rate as follows:

	Useful Life in Years
Customer relationships	5
Brands and trade names	15
Proprietary knowledge	5
Non-compete agreements	5
Customer order backlog	1
Production development	5 - 10

Business combination

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the Company to former owners of the acquired entity. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Contingent consideration to be transferred by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired and liabilities assumed in the acquisition and the fair value of the consideration transferred is recognized as goodwill.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Financial instruments

The Company's financial assets and liabilities are classified and measured as follows:

Financial asset or financial liability	Classification and Measurement
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Credit from banks	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Term loan	Amortized cost
Foreign exchange forward contracts	Fair value through profit or loss
Convertible debentures	Fair value through profit or loss
Preferred shares	Fair value through profit or loss

The Company recognizes financial assets and financial liabilities when the Company becomes party to the contractual provisions of the financial instrument.

a. Classification of financial assets and financial liabilities

Financial assets

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company does not have financial assets classified as subsequently measured at FVTOCI.

A financial asset is measured at FVTPL if the financial asset is not classified as amortized cost or FVTOCI or cannot be designated FVTPL at initial recognition. The Company does not have financial assets classified as subsequently measured at FVTPL.

Financial liabilities

The Company classifies all financial liabilities as subsequently at amortized cost except for financial liabilities at FVTPL, which include the convertible debentures, foreign exchange forward contracts, preferred shares and contingent consideration in a business combination, or financial liabilities that have been designated FVTPL on initial recognition.

b. Initial recognition

Financial assets or financial liabilities classified as amortized cost are initially recognized by the Company at their fair value less transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability, except for transaction costs on financial assets or liabilities designed as FVTPL which are expensed. However, trade receivables are initially recognized at their transaction price if the trade receivable does not contain a significant financing component.

c. Subsequent measurement

The Company will subsequently measure a financial instrument based on its classification. Financial assets and financial liabilities classified as subsequently measured at amortized cost will be measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization, using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The amortization of the effective interest is recognized in profit or loss. Financial assets at FVTOCI will have subsequently measured changes in fair value recognized in other comprehensive income. Transaction costs of financial liabilities classified as FVTPL are expensed as incurred. Gains and losses of on financial assets and financial liabilities classified as subsequently measured at FVTPL are recognized in net profit and loss.

d. Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when it is extinguished, that is, when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

e. Impairment of financial asset

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets.

For financial assets classified at amortized cost, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses given the credit risk on the financial instrument has not increased significantly since initial recognition. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. The Company has applied the simplified approach to measuring expected credit losses of trade receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Only convertible debentures (Note 16), preferred shares (Note 17) and foreign exchange forward contracts (Note 14) were recognized and measured at fair value as at December 31, 2023 and as at December 31, 2022.

Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the consolidated statement of profit or loss net of any reimbursement.

A provision for claims is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits liabilities

The Company has several employee benefits:

a. Short-term employee benefits

These benefits include salaries, paid annual leave and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

b. Post-employment benefits

Contributions to a defined contribution plan in respect of retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

Galtronics Korea operates a benefit plan in respect of compensation on cessation of employment pursuant to the severance pay laws in Korea. According to these laws, employees are entitled to compensation upon dismissal, resignation or retirement.

The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields on high-quality corporate bonds with a term that is consistent with the estimated term of the benefit obligation. The liability for employee benefits shown in the statement of financial position reflects the present value of the obligation.

Re-measurement arising from defined benefit plans comprises actuarial gains and losses. The Group recognizes them immediately in other comprehensive income (loss) and all other expenses related to defined benefit plans, including past service costs, in employee benefits expenses in profit or loss.

c. Termination benefits

Employee termination benefits are recognized as an expense when the Group has committed, without realistic possibility of withdrawal, to terminate employees before the normal retirement date. Benefits to employees in respect of voluntary retirement are provided for when the Group has offered the employees a plan that encourages voluntary redundancy, it is expected that the offer will be accepted, and the number of respondents can be reliably measured.

Share-based payments

The cost of equity-settled transactions with employees are measured at the fair value of the equity instruments granted in exchange for the rendering of services on the grant date. The fair value is determined based on market prices, if available, taking into account terms and conditions upon which the equity instruments are granted. If market prices are not available, an acceptable option pricing model is used to determine fair value.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration for equity instruments cannot be reliably measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period in which the performance and/or service conditions are satisfied, ending on the date on which the relevant party become fully entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The expense or income recognized in profit or loss represents the change between the cumulative expense recognized at the end of the reporting period and the cumulative expense recognized at the end of the previous reporting period. Where vesting is conditional upon a market condition, an expense is recognized over the vesting period irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

The fair value of stock options and warrants are determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield on the share and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the relevant party to receive the right to exercise the stock option. No account is taken of any other vesting conditions.

Loss per share

Loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of common shares outstanding during the period. Potential common shares (convertible securities such as convertible debentures, options and warrants) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share. Potential common shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

Research and development

Research and development costs are expensed except in cases where development costs meet the definition of an intangible asset and the recognition criteria for intangible assets as prescribed in IAS 38. Development costs are related to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Development costs having a future benefit are recognized only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset arising from development should be recognized only if the Company can demonstrate all of the following:

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. its intention to complete the intangible asset and use or sell it;
3. its ability to use or sell the intangible asset;
4. how the intangible asset will generate probable future economic benefits;
5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. its ability to measure reliably the expenditure attributable to the intangible asset during its development

Development costs representing intangible assets are initially measured at cost and then amortized over their expected useful life. The Company reviews the amortization method and estimate of the useful life of an intangible asset at least annually.

An estimate of investment tax credits ("ITC") on scientific research and experimental development ("SRED") expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the ITC will be recovered or realized. The expenditures are reduced by the amount of the estimated refundable tax credit. SRED ITCs include refundable and non-refundable tax credits. Refundable ITCs are refunded to the Company once assessed by the Canada Revenue Agency and Revenue Quebec, which is generally within a year from applying for the ITC. Unused non-refundable ITCs are carried forward to reduce taxes payable in future years and expire 20 years from the year they were granted.

Equity method investments

Investments in which the Company has significant influence, defined as the power to participate in the financial and operating policy decisions of the investee but not control or jointly control of those policies, are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from investees are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds the value of its investment in the investee, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the investee.

Unrealized gains on transactions between the Group and its investees are eliminated to the extent of the Group's interest in these investees. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Preferred Shares

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The proceeds received on issuance of the Company's preferred shares have been recorded as a liability. The preferred shares contain more than one embedded derivative, and therefore the Company has designated the entire hybrid contract as a financial liability at fair value through profit or loss.

Convertible debentures

The proceeds received on issuance of the Company's convertible debentures have been recorded as a liability. The convertible debentures contain more than one embedded derivative, and therefore the Company has designated the entire hybrid contract as a financial liability at fair value through profit or loss. The Company values the convertible debentures using the fair value of the convertible debentures traded in an active market.

The convertible debentures are revalued each reporting period with changes in the fair value recorded through profit or loss. On conversion of the convertible debentures to common shares, the value of the convertible option is taken into share capital.

NOTE 4: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates and judgements made by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Operating segments

The Company is considered to operate as one segment. In making this judgement, the Company has evaluated the business activities from which it earns revenues and incurs expenses, at which level operating results are reviewed by the chief operating decision maker and for which discrete financial information is available. The chief executive officer has been deemed the chief operating decision maker.

Assets and liabilities held for sale and discontinued operations

The Company has applied judgement when classifying its Mobile and Network CGU ("M&N") (Galtronics Korea and Galtronics Vietnam, formerly known as Asia Pacific CGU, but excluding Galtronics Vietnam Dai Dong, whose assets were liquidated during the year), as held for sale. The Company evaluated whether the sale of M&N is highly probable and whether the sale will be completed within one year from the date of classification and not be abandoned.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset exceeds its recoverable amount. In evaluating impairment, the Company determines recoverable amount based on value in use ("VIU").

Estimates used in arriving at value in use involve significant judgement of changes in market and other conditions that can affect VIU. VIU includes adjustments for obsolescence, which are based in part on assumptions that are influenced by factors that are both internal and external to the Company, and therefore changes in such factors can affect those assumptions. Discounted future cash flows include a number of estimates and assumptions surrounding assumed growth rates, number of years in discounted future cash flow models and the discount rate.

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgement.

Leases

The Company has applied judgement to determine the incremental borrowing rate and the lease term for some lease contracts in which it is a lessee that include renewal options, which significantly affects the amount of lease liability and right of use assets recognized. The Company has used the practical expedient of applying hindsight in assessing certain lease extension options. The Company has also used judgement in determining the incremental borrowing rate based on the term, security, the lessee's economic environment, credit rating and level of indebtedness, and asset specific adjustments.

Income taxes

The Company is subject to income taxes in all jurisdictions in which it operates. Significant judgement is required in determining the tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred tax assets are recognized for unutilized carry forward tax losses and deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-based payments

The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of stock options and warrants. The Company uses significant judgement in the determination of the input variables in the Black-Scholes calculation, which include: risk free interest rate, expected stock price volatility, expected life, and expected dividend yield.

Deferred tax assets and liabilities

The Company makes significant judgements in interpreting tax rules and regulations when calculating deferred tax assets and liabilities. Judgement is used to evaluate whether a deferred tax asset can be recovered based on our assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Going Concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account known future information, including whether events or conditions create material uncertainties that may cast significant doubt on the ability to continue as a going concern.

In assessing the Company's ability to continue as a going concern, management applied judgement as to the Company's ability, and has a reasonable expectation it will be able, (i) to fund operating and debt service requirements for the next 12 months and (ii) to refinance the Revolving Facility prior to its maturity on June 30, 2024.

NOTE 5: DISCLOSURES OF NEW STANDARDS ADOPTED AND PRIOR TO THEIR ADOPTION

New standards and amendments adopted

On February 12, 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgments to help companies provide useful accounting policy disclosures. The amendments include requiring companies to disclose material policies rather than their significant accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company has adopted the accounting standard in its consolidated financial statements.

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The Company has adopted the accounting standard in its consolidated financial statements.

On May 7, 2021, the IASB issued amendments to IAS 12, Income Taxes, which clarifies the accounting related to deferred taxes related to assets and liabilities arising from a single transaction. It requires the recognition of both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has adopted the accounting standard in its consolidated financial statements.

New standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company. All pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards, amendments and interpretations may have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

The following new standards have been issued, are not yet in effect and are relevant to the Group:

In September 22, 2022, the IASB issued amendments to IFRS 16 Leases on sale and leaseback. These amendments include requirements to explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

On May 25, 2023, the IASB issued Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) to add disclosure requirements that ask an entity to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for reporting periods beginning on or after January 1, 2024. The Company is in the process of evaluating the impact of the standards on its consolidated financial statements.

On January 23, 2021, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), which provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for reporting periods beginning on or after January 1, 2024. The Company is in the process of evaluating the impact of the standards on its consolidated financial statements.

Canadian dollars in thousands, unless otherwise stated

NOTE 6: TRADE AND OTHER RECEIVABLES

The following comprise the balance of trade receivables, net:

	December 31, 2023	December 31, 2022
Trade receivables, gross	$ 8,861	$ 20,526
Less: Allowance for doubtful accounts	-	(232)
Trade receivables, net	$ 8,861	$ 20,294

The movement in the allowance for doubtful accounts is as follows:

	2023	2022
Balance as at January 1	$ 232	$ 330
Allowance for doubtful accounts taken during the year	42	62
Receivables written off during the year as uncollectible	(43)	(163)
Receivables held for sale	(231)	-
Effects of translation from changes in foreign exchange	-	3
Balance as at December 31	$ -	$ 232

The following is the aging of trade receivables, net:

	December 31, 2023	December 31, 2022
Current trade receivables, net	$ 5,807	$ 15,180
Past due but not impaired trade receivables, net		
under 30 days	1,308	3,761
30 - 60 days	704	489
60 - 90 days	668	5
over 90 days	374	859
Total trade receivables, net	$ 8,861	$ 20,294

The Company has recognized a loss of $42 in profit or loss in respect of the expected credit losses for the year ended December 31, 2023 and $62 for the year ended December 31, 2022.

Canadian dollars in thousands, unless otherwise stated

NOTE 7: OTHER CURRENT ASSETS

The following comprise the balance of other current assets:

	December 31, 2023	December 31, 2022
Due from government authorities	$ 661	$ 1,657
Advance to suppliers	404	277
Prepaid expenses	811	1,029
Deferred proceeds receivable	1,135	-
Other receivables	948	895
Total other current assets	$ 3,959	$ 3,858

Included in Other current assets is a net receivable of $182 ($2,832 receivable and $2,650 payable) from SpaceBridge Inc. (formerly, Advantech Wireless Inc.)

NOTE 8: INVENTORIES

The following comprise the balance of inventories:

	December 31, 2023	December 31, 2022
Materials and supplies	$ 9,347	$ 8,944
Work in progress	3,414	2,219
Finished good	4,862	7,207
Total inventory	$ 17,623	$ 18,370

The inventory reserve taken against inventory amounted to $5,598 and $5,270 as at December 31, 2023 and December 31, 2022 respectively. The inventory reserve expensed was $391 for the year ended December 31, 2023 and the release of inventory reserve taken to income was $1,358 for the year ended December 31, 2022.

Canadian dollars in thousands, unless otherwise stated

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

The following comprise the balance of property, plant and equipment:

	Land and building	Machinery and equipment	Motor Vehicles	Office furniture, computers, peripheral equipment	Leasehold improvement	Construction in progress	Total
Cost							
Balance as at January 1, 2023	$ 7,695	$ 25,150	$ -	$ 6,586	$ 4,608	$ -	$ 44,039
Additions	-	44	-	257	-	11	312
Disposals	-	(277)	-	(78)	-	-	(355)
Classified as assets held for sale	(1,221)	(17,772)		(627)	(3,998)	-	(23,618)
Effects of translation	(352)	(232)	-	(106)	(14)	22	(682)
Balance as at December 31, 2023	$ 6,122	$ 6,913	$ -	$ 6,032	$ 596	$ 33	$ 19,696
Accumulated depreciation							
Balance as at January 1, 2023	$ 4,096	$ 20,098	$ -	$ 6,037	$ 3,464	$ -	$ 33,695
Additions	226	778		384	119	-	1,507
Disposals	-	(250)		(77)	-	-	(327)
Classified as assets held for sale	(463)	(14,890)		(586)	(3,223)	-	(19,162)
Effects of translation	(258)	(57)		(64)	(51)	-	(430)
Balance as at December 31, 2023	$ 3,601	$ 5,679	$ -	$ 5,694	$ 309	$ -	$ 15,283
Carrying amount							
Balance as at December 31, 2023	$ 2,521	$ 1,234	$ -	$ 338	$ 287	$ 33	$ 4,413

	Land and building	Machinery and equipment	Motor Vehicles	Office furniture, computers, peripheral equipment	Leasehold improvement	Construction in progress	Total
Cost							
Balance as at January 1, 2022	$ 7,782	$ 26,253	$ (3)	$ 6,818	$ 4,552	$ 588	$ 45,990
Additions	-	1,440	-	319	-	-	1,759
Transfers	(11)	636	-	-	11	(636)	-
Disposals	-	(3,636)	-	(600)	(107)	-	(4,343)
Effects of translation	(76)	457	3	49	152	48	633
Balance as at December 31, 2022	$ 7,695	$ 25,150	$ -	$ 6,586	$ 4,608	$ -	$ 44,039
Accumulated depreciation							
Balance as at January 1, 2022	$ 3,887	$ 20,934	$ 1	$ 5,714	$ 2,963	$ -	$ 33,499
Additions	349	2,246	-	899	498	-	3,992
Disposals	-	(3,611)	-	(600)	(105)	-	(4,316)
Effects of translation	(140)	529	(1)	24	108	-	520
Balance as at December 31, 2022	$ 4,096	$ 20,098	$ -	$ 6,037	$ 3,464	$ -	$ 33,695
Carrying amount							
Balance as at December 31, 2022	$ 3,599	$ 5,052	$ -	$ 549	$ 1,144	$ -	$ 10,344

Canadian dollars in thousands, unless otherwise stated

Property, plant and equipment by geographic location are as follows:

	December 31, 2023	December 31, 2022
China	$ 1,677	$ 2,288
Vietnam	-	3,539
Korea	-	915
Canada	1,450	1,971
United States of America	1,286	1,631
	$ 4,413	$ 10,344

The depreciation expense recognized in the consolidated statements of loss is as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Cost of goods sold	$ 645	$ 2,548
Research and development	415	362
General and administrative	447	1,082
	$ 1,507	$ 3,992

The Company recorded a gain of $412 on sale for property, plant and equipment of the Company's Galtronics Vietnam Dai Dong entity, during the year ended December 31, 2023 and nil during the year ended December 31, 2022.

Canadian dollars in thousands, unless otherwise stated

NOTE 10: LEASES

The balance sheet shows the following amounts related to assets held:

	Building	Equipment	Vehicles	Office furniture, computers	Total right of use asset
Cost					-
Balance as at January 1, 2023	$ 15,075	$ 421	$ 133	$ 174	$ 15,803
Additions	222	-	-	-	222
Disposals	(3,064)	-	-	-	(3,064)
Classified as assets held for sale	(2,410)	(19)	(133)	-	(2,562)
Effects of translation	1,895	(16)	-	(94)	1,785
Balance as at December 31, 2023	11,718	386	-	80	12,184
Accumulated depreciation					
Balance as at January 1, 2023	$ 6,495	$ 94	$ 42	$ 58	$ 6,689
Additions	1,008	20	-	15	1,043
Disposals	(1,148)	-	-	-	(1,148)
Classified as assets held for sale	(1,902)	(9)	(76)	-	(1,987)
Effects of translation	(319)	67	34	7	(211)
Balance as at December 31, 2023	4,134	172	-	80	4,386
Carrying amount					
Balance as at December 31, 2023	$ 7,584	$ 214	$ -	$ -	$ 7,798

	Building	Equipment	Vehicles	Office furniture, computers	Total right of use asset
Cost					
Balance as at January 1, 2022	$ 14,294	$ 418	$ 131	$ 185	$ 15,028
Additions	528	19	-	10	557
Disposals	(267)	(21)	-	-	(288)
Effects of translation	520	5	2	(21)	506
Balance as at December 31, 2022	15,075	421	133	174	15,803
Accumulated depreciation					
Balance as at January 1, 2022	$ 5,063	$ 94	$ 42	$ 58	$ 5,257
Additions	1,351	56	29	17	1,453
Disposals	(252)	(21)	-	-	(273)
Effects of translation	333	(35)	(29)	(17)	252
Balance as at December 31, 2022	6,495	94	42	58	6,689
Carrying amount					
Balance as at December 31, 2022	$ 8,580	$ 327	$ 91	$ 116	$ 9,114

Canadian dollars in thousands, unless otherwise stated

The balance sheet shows the following amounts related to lease liabilities:

	December 31, 2023	December 31, 2022
Short-term lease liability	$ 901	$ 1,692
Long-term lease liability	6,747	9,611
	$ 7,648	$ 11,303

The statement of loss shows the following amounts related to leases:

	For the year ended December 31, 2023	2022
Interest cost on lease liability	415	675
Expense related to short-term leases and leases of low value	2	20
Expense related to variable lease payments not included in lease liabilities	298	260

The total cash outflow for leases for the year ended December 31, 2023 was $1,285 and for the year ended December 31, 2022 was $2,316.

The Company recorded a gain on lease termination of $2,943 during the year ended December 31, 2023 related to the building lease exit for the Company's Galtronics Vietnam Dai Dong entity and recorded an impairment expense of nil during the year ended December 31, 2022.

The Group leases buildings, equipment, computer and peripheral equipment and vehicles. Rental contracts are typically made for fixed periods between 1 year and 10 years but may have extension options.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercised only by the Group and not by the respective lessor. As at December 31, 2023, potential future cash outflows of $8,968 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) (December 31, 2022 - $9,078). The Group did not provide residual value guarantees in relation to leases.

NOTE 11: OTHER LONG-TERM ASSETS

The following comprise the balance of other long-term assets:

	December 31, 2023	2022
Deposits on capital expenditures	$ -	$ 79
Government grant receivables	1,171	-
Total other long-term assets	$ 1,171	$ 79

Canadian dollars in thousands, unless otherwise stated

NOTE 12: INTANGIBLES

The following comprise the balance of intangibles:

	Customer relationships	Brands and trade names	Proprietary knowledge	Non-compete agreements	Production development	Total
Cost						
Balance as at January 1, 2023	$ 20,600	$ 4,800	$ 2,250	$ 1,200	$ -	$ 28,850
Additions	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Balance as at December 31, 2023	$ 20,600	$ 4,800	$ 2,250	$ 1,200	$ -	$ 28,850
Accumulated amortization						
Balance as at January 1, 2023	19,612	1,551	2,236	1,190	-	24,589
Additions	960	348	14	10	-	1,332
Effects of translation	-	(1)	-	-	-	(1)
Balance as at December 31, 2023	$ 20,572	$ 1,898	$ 2,250	$ 1,200	$ -	$ 25,920
Carrying amount						
Balance as at December 31, 2023	$ 28	$ 2,902	$ -	$ -	$ -	$ 2,930

	Customer relationships	Brands and trade names	Proprietary knowledge	Non-compete agreements	Production development	Total
Cost						
Balance as at January 1, 2022	$ 20,600	$ 4,800	$ 2,250	$ 1,200	$ -	$ 28,850
Additions	-	-	-	-	-	$ -
Impairment	-	-	-	-	-	-
Balance as at December 31, 2022	$ 20,600	$ 4,800	$ 2,250	$ 1,200	$ -	$ 28,850
Accumulated amortization						
Balance as at January 1, 2022	15,492	1,231	1,820	1,025	-	19,568
Additions	4,120	320	416	165	-	5,021
Balance as at December 31, 2022	$ 19,612	$ 1,551	$ 2,236	$ 1,190	$ -	$ 24,589
Carrying amount						
Balance as at December 31, 2022	$ 988	$ 3,249	$ 14	$ 10	$ -	$ 4,261

Amortization of intangibles presented within General and Administrative expenses on the consolidated statement of loss was $1,332 and $5,021 during the years ended December 31, 2023 and 2022, respectively.

The Company performed an impairment analysis of its three CGUs, which are business operations, Mobile and Network CGU ("M&N") (Galtronics Korea and Galtronics Vietnam, and formerly known as Asia Pacific CGU, but excluding Galtronics Dai Dong, as its remaining assets were liquidated in during the year), Satcom CGU (formerly known as the Advantech and Alga Group CGU) and Americas CGU (Galtronics USA and Galtronics Wuxi), during the fourth quarter of 2023. As a result of its analysis, the Company determined that each CGU had a recoverable amount that exceeded its carrying value, and thus no impairment was recorded.

Canadian dollars in thousands, unless otherwise stated

NOTE 13: ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

During the fourth quarter of 2023, the Company commenced a formal process for the sale of M&N as it is no longer considered part of the Company's core long-term strategy for the business. Management has determined that it meets the requirements of IFRS 5 and, as a result, it has been classified as held for sale as at December 31, 2023. M&N had carry-forward tax losses of $30,591 for the year ended December 31, 2023 ($29,022 - December 31, 2022).

As at December 31, 2022, the Company classified $552 of property, plant and equipment related to its Galtronics Vietnam Dai Dong entity as held for sale which was sold during the year ended December 31, 2023.

Summarized financial information related to the assets and liabilities held for sale are as follows:

	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 1,213	$ -
Trade and other receivables	2,126	-
Inventories	1,165	-
Other current assets	729	-
Property, plant and equipment	2,432	552
Right of use assets	153	-
Other long-term assets	67	-
Assets held for sale	$ 7,885	$ 552
Credit from banks	$ 59	$ -
Accounts payable and accrued liabilities	6,903	-
Short-term portion of lease liabilities	191	-
Income tax payable	93	-
Long-term portion of lease liabilities	4	-
Employee benefit liabilities, net	1,604	-
Liabilities held for sale	$ 8,854	$ -

	For the year ended December 31, 2023	2022
Revenue	$ 22,029	$ 42,639
Cost of sales	21,211	38,580
Operating and other expenses	6,191	7,991
Net loss before taxes from discontinued operations	(5,373)	(3,932)
Income taxes	262	282
Net loss from discontinued operations	$ (5,635)	$ (4,214)

Canadian dollars in thousands, unless otherwise stated

NOTE 14: CREDIT FROM BANKS AND LOANS

The following comprise the balance of credit from banks:

	December 31, 2023	December 31, 2022
Revolving Facility	$ 12,380	$ 8,957
Chinese Yuan Facility	5,310	-
Chinese USD Facility	-	3,386
Korean Won Facility	-	345
	$ 17,690	$ 12,688

Canada

On March 29, 2019, Baylin 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 facility (the "Revolving Facility") for up to $15,000; and
- a term facility ("Term Loan") for up to $27,775.

The Revolving facility and Term Loan are referred to as the "Credit Facilities".

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 (as defined in the Credit Agreement) and is payable monthly in arrears, as set out in the Credit Agreement. Effective March 29, 2022, the interest rate on the Revolving Facility changed from a LIBOR-based rate to a rate based on the US Base Rate (as defined in the Credit Agreement). The interest rate on the Revolving Facility (which is drawn in US dollars) was 11.50% as at December 31, 2023 and 10.50% as at December 31, 2022. The interest rate on the standby fee on the undrawn portion of the Revolving Facility was 0.70% as at December 31, 2023 and December 31, 2022.

The Group may draw on its available revolving credit lines under the Revolving Facility, the China loan (described below) and the Korea loan (described below) as needed. As at December 31, 2023, the aggregate revolving credit facilities of the Group were approximately $20,997, of which $17,690 was drawn and utilized. As at December 31, 2022, the aggregate revolving credit facilities of the Group were approximately $18,768, of which $12,688 was drawn and utilized. As at December 31, 2023, $12,381 was outstanding under the Revolving Facility (December 31, 2022 - $8,957).

The principal amount under the Term Loan was fully advanced in US dollars and was used to repay existing indebtedness. Quarterly principal payments in the amount of $992 commenced on June 30, 2019 with the scheduled interest payments for June 30, 2020, September 30, 2020 and September 30, 2023 being deferred with the consent of the Lenders. As at December 31, 2023, there was no outstanding balance under the Term Loan as it was fully repaid on maturity on December 29, 2023 (December 31, 2022 - $15,241).

Canadian dollars in thousands, unless otherwise stated

Commencing July 26, 2019, the Company entered into an interest rate swap arrangement where the LIBO Rate portion of the interest rate on the Term Loan was fixed at 2% until maturity on March 29, 2022.

The Credit Facilities are guaranteed by Baylin's principal operating subsidiaries (other than those in Vietnam) and are secured by substantially all the assets of Baylin and the guarantors. The Credit Agreement originally included certain financial covenants, including a Senior Debt to Equity Ratio and Fixed Charge Coverage Ratio (as defined in the Credit Agreement), calculated on a quarterly basis, 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, financial assistance, distributions, capital expenditures and changes to the business), and events of default.

The Credit Agreement has previously been amended, most recently as of March 8, 2024. The effect of these amendments is that:

- the maturity date of the Revolving Facility was extended from March 31, 2024 to June 30, 2024;
- the Senior Debt to EBITDA Ratio and Fixed Charge Coverage Ratio will not apply during the remaining period of the Credit Facilities;
- the Company is required to maintain a minimum Liquidity of $3,000 from September 30, 2023 up to and including March 31, 2024;
- the maximum availability under the Revolving Facility is $15,000; 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%.

Subsequent to year end, the Lenders waived compliance with the minimum Liquidity covenant for the months ending December 31, 2023 and January 31, 2024, as these were not met.

China

In May 2023, the Company’s Chinese subsidiary arranged a Yuan equivalent $5,589 short-term multiple tranche credit facility with the Bank of Ningbo. As at December 31, 2023, $5,310 was outstanding under this facility. The facility, which is secured by the subsidiary's land use rights and building, replaced a Yuan facility with another Chinese bank, of which $3,337 was fully drawn at December 31, 2022.

Drawdown Date	Maturity Date	Interest Rate	Amount
May 16, 2023	May 15, 2024	4.15%	$ 2,739
June 26,2023	June 25, 2024	4.15%	1,826
July 25, 2023	July 23, 2024	4.15%	186
August 25, 2023	August 23, 2024	4.15%	186
September 26, 2023	September 24, 2024	3.85%	186
October 27, 2023	October 25, 2024	3.85%	186
			$ 5,310

Canadian dollars in thousands, unless otherwise stated

Korea

The Company's Korean subsidiary has a South Korean Won equivalent $408 (December 31, 2022 - $431) short-term credit facility with the Shinhan Bank. The loan interest rate is set at 1.4% plus the Korean Central Bank lending rate. The credit facility is supported by an irrevocable letter of credit issued by Baylin to the lender in Korea. As at December 31, 2023, $0 was outstanding (as at December 31, 2022 - $346).

Vietnam

Galtronics Vietnam Dai Dong Co. Ltd., one of the Company's Vietnamese subsidiaries ("GTD"), and HSBC Bank (Vietnam) Ltd. ("HSBC Vietnam") were parties to a credit agreement dated October 14, 2020, as amended, pursuant to which HSBC Vietnam established a secured credit facility in favour of GTD, which was fully repaid on its maturity on August 18, 2023.

The following table sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Cash and cash equivalents	Credit from banks	Preferred Shares	Long Term loans	Convertible Debentures	Total
Net debt as at January 1, 2022	$ 19,674	$ (10,787)	$ -	$ (21,072)	$ (4,859)	$ (17,044)
Cash flows	(13,315)	(1,194)	-	6,148	-	(8,361)
Foreign exchange and other adjustments	1,020	(707)	-	(1,308)	255	(740)
Net debt as at December 31, 2022	$ 7,379	$ (12,688)	$ -	$ (16,232)	$ (4,604)	$ (26,145)
Cash flows	(17,071)	(5,640)	-	16,170	106	(6,435)
Share issuance	14,809	-	1,700	-	-	16,509
Liabilities held for sale	-	608	-	-	-	608
Fair value adjustment	-	-	-	-	1,176	1,176
Foreign exchange and other adjustments	(214)	30	-	62	1	(121)
Net debt as at December 31, 2023	$ 4,903	$ (17,690)	$ 1,700	$ -	$ (3,321)	$ (14,408)

NOTE 15: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following comprise the balance of accounts payable and accrued liabilities:

	December 31, 2023	December 31, 2022
Trade payables	$ 9,062	$ 18,552
Employee payroll and short-term benefits	2,141	2,791
Accrued expenses	2,948	2,684
Advance from customers	3,821	5,434
Escrow payment provision	2,019	-
Other	302	502
Total accounts payables and accrued liabilities	$ 20,293	$ 29,963

During the year ended December 31, 2023, the Company recorded a provision of $2,018 for the possible repayment of funds previously released from an escrow related to SpaceBridge which is described in Note 25.

For certain contracts, the Company receives payment prior to satisfying contracted obligations and recognizing revenue. During the year ended December 31, 2023, $5,434 of customer advances as at December 31, 2022 were recognized as revenue. (2022 - $1,561)

NOTE 16: CONVERTIBLE DEBENTURES

On July 10, 2018, the Company issued $17,250 principal amount of convertible unsecured debentures (the “Debentures”). The Debentures are governed by an indenture (the "Indenture") dated July 10, 2018 between the Company and Computershare Trust Company of Canada, as trustee. The Debentures originally had an interest rate of 6.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, matured on July 10, 2023 and had a conversion price (the "Conversion Price") of $3.85 per common share.

On May 19, 2021, the Indenture was amended to reduce, for a period of 30 days, the Conversion Price from $3.85 to $1.11 (the "New Conversion Price"), the market price of the common shares at the time the amendment became effective. As a result of this amendment, holders of $12,135 principal amount of the Debentures converted their Debentures into 10,932,429 common shares at the New Conversion Price, leaving $5,115 principal amount 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.

On June 21, 2023, the Indenture was further amended to (i) extend the maturity date of the Debentures from July 10, 2023 to June 30, 2026 (the "Maturity Date"), (ii) increase the interest rate on the Debentures from 6.5% to 8.5%, effective June 30, 2023, (iii) reduce the Conversion Price from $3.85 to $1.00 per common share, and (iv) change the definition of “Change of Control” to permit the Company’s Chairman, 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 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 $1.00 per common share, subject to adjustment in certain events in accordance with the Indenture Following completion of the Company's rights offering in December 2023, the Conversion Price was adjusted to $0.9156 per common share.

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.

Upon a Change of Control 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.

During the year ended December 31, 2023, $405 of interest was paid in cash (December 31, 2022 - $332).

Canadian dollars in thousands, unless otherwise stated

	Debentures Principal	Debentures Fair Value
Balance as at January 1, 2022	$ 5,115	$ 4,859
Fair value adjustment		(255)
Balance as of December 31, 2022	$ 5,115	$ 4,604
Fair value adjustment		(1,177)
Deferred financing cost		(106)
Balance as of December 31, 2023	$ 5,115	$ 3,321

NOTE 17: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and financial liabilities consist of the following:

	December 31, 2023	December 31, 2022
Financial assets		
Cash and cash equivalents	$ 4,903	$ 7,379
Trade and other receivables	8,861	20,294
	$ 13,764	$ 27,673
Financial liabilities		
Credit from banks	17,690	12,688
Accounts payable and accrued liabilities	20,293	29,963
Term Loan	-	16,232
Foreign exchange forward contract	14	-
Preferred Shares	1,700	-
Convertible debentures	3,321	4,604
	$ 43,018	$ 63,487

On December 29, 2023, the Company issued 68,000 Series A Preferred Shares ("Preferred Shares") to 2385796 Ontario Inc., the Company's largest shareholder, at an issue price of $25 per share for proceeds of $1,700. The Preferred Shares have a 10% cumulative dividend, redemption and retraction options and are mandatorily redeemable on December 31, 2028. The Preferred Shares are recorded in other long term liabilities on the consolidated statement of financial position.

During the year ended December 31, 2023, the Company entered into foreign exchange contracts to sell US dollars.

Canadian dollars in thousands, unless otherwise stated

As at December 31, 2023, the Company had forward contracts in place to sell an aggregate of US$ 4,990 and incurred a loss of $14 for the year ended December 31, 2023.

The carrying amount of cash and cash equivalents, trade receivables and other receivables, credit from banks, accounts payable and accrued liabilities and term loan approximates their fair value. The convertible debentures, preferred shares and foreign exchange rate forward contracts are carried at their fair value.

The Group's activities expose it to various financial risks such as market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

Market risk

a. Foreign exchange risk

A portion of the Group's transactions are denominated in currencies other than the functional currency of the respective subsidiary. As a result, the Group is exposed to currency risk on these transactions. The Company's objective in managing its currency risk is to minimize its exposure to currencies other than its functional currency. Gains and losses are primarily derived from changes in the Canadian dollar exchange rate in relation to the U.S. dollar. During the year ended December 31, 2023, the Company entered into foreign exchange rate forward contracts to mitigate the impact of fluctuations of the US Dollar against the Canadian Dollar.

The sensitivity analysis below illustrates in impact of changes in the U.S. dollar exchange rate on net loss:

	December 31, 2023	December 31, 2022
Gain (loss) from change in U.S. dollar exchange rate:		
5% increase in exchange rate	$ 488	$ 840
5% decrease in exchange rate	$ (488)	$ (840)

b. Interest rate risk

The Company has exposure to interest rate risks on credit from banks with variable interest rate. The Company believes that interest rate risk is low as the majority of its loans are short-term or have fixed interest rates.

Credit risk

A significant portion of products are sold to a limited number of major customers located primarily in North America and Asia. The top three customers in any given year may not be the same top three customers in a previous or subsequent year. The loss of, or a significant reduction in, orders from one or more major customers would adversely affect the Company's business, results of operations and financial condition. In particular, the Company received 11% and 7% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the years ended December 31, 2023 and December 31, 2022, respectively. The Company's strategy in managing this risk is to diversify its customer base by expanding its product portfolio and enhancing its sales and marketing efforts.

Canadian dollars in thousands, unless otherwise stated

Below are the Company's top three customers including their subcontractors based on sales value:

	For the year ended December 31, 2023	2022
Customer A	11%	7%
Customer B	7%	6%
Customer C	6%	3%

The Company and its subsidiaries typically extend 30-90 day credit terms to their customers and regularly monitor the credit extended to such customers and their general financial condition but do not require collateral as security for these receivables. The Group provides an allowance for expected credit losses based on the factors that affect the credit risk of certain customers, past experience and other information. The Company has credit insurance for its receivables to help mitigate credit risk. The Company assessed expected credit losses based on whether customers would be unable or would delay payments and determined that additional credit losses were not expected.

Liquidity risk

The Group monitors its liquidity risk through the use of quarterly budgets, weekly cash flow projections, and close monitoring of accounts receivable balances, inventory build and payment of suppliers. The objective is to maintain sufficient liquidity in its operating entities through a combination of cash on hand, borrowings under Credit Facilities, and generating operating cash flow. The Group also regularly monitors the amounts owing to Galtronics Wuxi by other subsidiaries to ensure compliance with China's State of Administration of Foreign Exchange requirement. The Company is currently in ongoing discussion with lenders to secure refinancing of the Revolving Facility prior to its maturity on June 30, 2024.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	December 31, 2023 Less than one year	Over one year	Total
Credit from banks	$ 17,690	$ -	$ 17,690
Accounts payable and accrued liabilities	20,293	-	20,293
Lease liabilities	901	6,747	7,648
Liabilities held for sale	8,854	-	8,854
Preferred Shares	-	1,700	1,700
Convertible debentures	-	5,115	5,115

	December 31, 2022 Less than one year	Over one year	Total
Credit from banks	$ 12,688	$ -	$ 12,688
Accounts payable and accrued liabilities	29,963	-	29,963
Lease liabilities	1,692	9,611	11,303
Term loan	16,232	-	16,232
Convertible debentures	5,115	-	5,115

Canadian dollars in thousands, unless otherwise stated

NOTE 18: EMPLOYEE BENEFIT LIABILITY

The Company's Korean subsidiary accounts for the payment of compensation on cessation of employment of its employees as a defined benefit plan for which an employee benefit liability is recognized and for which the Korean subsidiary is liable. The liability shown in the statement of financial position reflects the present value of the defined benefit obligation. The present value of the benefits is determined at year end, based on actuarial valuations.

a. Changes in the present value of defined benefit obligation:

	December 31, 2023	December 31, 2022
Balance as at January 1	$ 1,781	$ 2,586
Amount recognized in net loss:		
Interest expense	80	71
Current service cost	185	293
	265	364
Amounts recognized in Other Comprehensive Income:		
Experience loss (gain) adjustments	82	(1,050)
Actuarial (gains) losses from changes in financial assumptions	(43)	5
	39	(1,045)
Benefits paid by the plan	(716)	(166)
Liabilities held for sale	(1,604)	-
Effect of movement in exchange rates	235	42
Balance as at December 31	$ -	$ 1,781

b. The principal assumptions underlying the defined benefit plan are as follows:

	December 31, 2023	December 31, 2022
Discount rate	5.06%	5.83%
Future salary increases	2.00%	2.00%

Canadian dollars in thousands, unless otherwise stated

c. Sensitivity analysis of underlying assumptions

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	December 31, 2023	December 31, 2022
Change in discount rate		
+1%	$ (106)	$ (109)
-1%	122	125
Future salary increases		
+1%	$ 124	$ 129
-1%	(110)	(114)

NOTE 19: COMMITMENTS

Capital Expenditures

Significant capital expenditures contracted as of December 31, 2023 but not recognized as liabilities for property, plant and equipment were $44 (December 31, 2022 - $201).

Limitations on dividend distributions from Galtronics Wuxi

In accordance with applicable Chinese laws, Galtronics Wuxi is only permitted to distribute up to 90% of its after-tax earnings. As of December 31, 2023, amounts restricted from distribution, which constitute 10% of Galtronics Wuxi's retained earnings, amounted to approximately $849 and was $1,125 as of December 31, 2022.

NOTE 20: INCOME TAXES

Income tax expense included in profit or loss:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current income tax expense, net	$ 645	$ 343
Deferred tax recovery, net	$ (499)	$ (242)
	$ 146	$ 101

The Company is subject to tax rates applicable in Canada. The combined federal and provincial rate for 2023 and 2022 is 26.5%. The Company's subsidiaries are in tax jurisdictions that have tax rates ranging from 15% to 27% (15% to 27% in 2022).

Canadian dollars in thousands, unless otherwise stated

The reconciliation between the tax expenses, assuming that all the income and expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	For the year ended December 31, 2023	2022
Loss before income taxes	$ (8,071)	$ (12,562)
Statutory tax rate in Canada	26.5%	26.5%
Tax recovery computed at the statutory tax rate	$ (2,139)	$ (3,329)
Increase (decrease) in taxes on income resulting from the following factors:		
Non-deductible expenses	146	357
Tax exemption	(193)	(80)
Utilization of prior period unrecognized losses	(37)	(681)
Deferred tax assets not recognized	2,748	3,941
Effect of different tax rates of subsidiaries	(360)	(800)
Taxes in respect of previous years	(175)	(171)
Withholding tax	165	788
Other	(9)	76
Taxes expense (recovery) on income	$ 146	$ 101

Recognized deferred tax assets and liabilities

	For the year ended December 31, 2023	2022
Tax credits	-	858
Inventories	-	(29)
Property plant and equipment	-	(373)
Right of use asset	-	(3)
Current liabilities	-	(26)
Other	-	20
Deferred tax liability	$ -	$ 447

All deferred tax movements were recognized to profit and loss except for currency translation which was recognized to other comprehensive income.

Unrecognized deferred tax assets

The group has additional deferred tax assets relating to carry-forward losses and other temporary differences which have not been recognized because the recovery of the deferred tax assets in the foreseeable future is not probable.

Canadian dollars in thousands, unless otherwise stated

The Group had the following carry-forward losses:

Region		Expiry	For the year ended December 31, 2023	2022
Canada	- operating	Between 2035 and 2043	$ 58,122	$ 57,220
Israel	- operating	No expiry	-	31,171
Israel	- capital	No expiry	-	13,931
USA	- operating	No expiry	12,672	15,025
Vietnam	- operating	Between 2024 and 2049	251	3,040
Other	- operating	Various	2,168	2,265
			$ 73,213	$ 122,652

The Company had other unrecognized deferred tax related to timing differences of $16,193 as at December 31, 2023 and $12,909 as at December 31, 2022.

The Company has non-refundable investment tax credits not yet utilized of $929 as of December 31, 2023 and nil as of December 31, 2022.

Amounts recognized directly in other comprehensive income

The Company had the following amounts recognized in other comprehensive income:

	December 31, 2023	2022
Effects of foreign currency translation		
Income tax	$ (79)	$ (134)
Deferred tax	52	(177)
Balance as at December 31, 2023	$ (27)	$ (311)

NOTE 21: SHARE CAPITAL

Authorized share capital

The company is authorized to issue the following share capital:

a. An unlimited number of common shares

Movement in share capital

Included in the movement in share capital are the following:

During the year ended December 31, 2022, the Company issued 209,961 common shares with a value of $90 to certain members of its Board of Directors as part of their compensation.

During the year ended December 31, 2023, the Company issued 332,095 common shares with a value of $62 to certain members of its Board of Directors and employees as part of their compensation.

Canadian dollars in thousands, unless otherwise stated

On May 26, 2023, the Company issued 8,000,00 common shares to 2385796 Ontario Inc., the Company's largest shareholder (the "Principal Shareholder"), for proceeds of $3,120.

On December 19, 2023, the Company received subscriptions for 62,186,516 common shares pursuant to a rights offering, including a subscription for 49,129,863 common shares from the Principal Shareholder, resulting in gross proceeds to the Company of $11,815.

The following table lists the share capital issued and outstanding:

	Number of common shares issued and outstanding	Share capital
Balance as at January 1, 2022	80,095,014	$ 172,700
Issued during 2022, net of share issue costs	209,961	90
Balance as at December 31, 2022	80,304,975	$ 172,790
Issued during 2023, net of share issue costs	70,518,611	14,977
Balance as at December 31, 2023	150,823,586	$ 187,767

Capital management

The Company's capital management objectives are:

a. To ensure the Group's ability to continue as a going concern;

b. To optimize business continuity with a view to benefiting all stakeholders; and

c. To provide an adequate return to shareholders.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure with a view to avoiding excessive leverage. In managing the capital structure, the Company takes into consideration various factors, including the growth of the business and related infrastructure and the needs of the business, while ensuring that there are adequate capital resources available to it.

NOTE 22: SHARE-BASED PAYMENTS

a. On August 13, 2020, the shareholders of the Company approved a new Omnibus Equity Incentive Plan (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.

Canadian dollars in thousands, unless otherwise stated

b. 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.

c. In the case of DSUs, 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. The DSUs 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 December 31, 2023 and 2022:

	Number of DSUs	Weighted average price
DSUs outstanding at January 1, 2022	923,315	$ 1.45
DSUs granted during 2022	614,199	$ 0.43
DSUs outstanding at December 31, 2022	1,537,514	$ 1.04
DSUs granted during 2023	914,213	$ 0.31
DSUs outstanding at December 31, 2023	2,451,727	$ 0.77

The Company recognized an expense of $280 in the year ended December 31, 2023 and $266 in the year ended December 31, 2022 within general and administrative expenses.

d. During the year ended December 31, 2023, the Company granted 1,856,410 RSUs to its CEO with a value of $724.

e. In the case of stock options, at the time of granting a stock option, the board of directors will determine (i) the exercise price, being not less than the fair market value of the common shares, (ii) the vesting provisions, generally being 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.

Canadian dollars in thousands, unless otherwise stated

The following tables summarize grants of stock options:

		Options as at December 31, 2023		
Stock option grant date	**Stock options granted**	**Vested**	**Exercised, expired, surrendered or cancelled**	**Net Outstanding**
Jul. 11, 2018	197,500	81,200	197,500	-
Nov. 9, 2018	250,000	250,000	250,000	-
May 21, 2019	270,000	250,000	20,000	250,000
Nov. 23, 2020	150,000	100,000	150,000	-
Jun. 21, 2021	900,000	300,000	900,000	-
Aug. 23, 2021	75,000	25,000	75,000	-
Jan. 4, 2022	400,000	133,333	400,000	-
March 21, 2022	2,285,000	761,667	2,135,000	150,000
May 23, 2022	150,000	50,016	95,818	54,182
Sep. 26, 2022	5,000	1,667	-	5,000
Nov 21, 2022	14,000	4,667	-	14,000
May 23, 2023	3,000	-	-	3,000
Jun. 30, 2023	3,456,000	-	-	3,456,000
	8,155,500	1,957,550	4,223,318	3,932,182

		Options as at December 31, 2022		
Stock option grant date	**Stock options granted**	**Vested**	**Exercised, expired, surrendered or cancelled**	**Net Outstanding**
Jul. 11, 2018	197,500	81,200	187,500	10,000
Nov. 9, 2018	250,000	250,000	-	250,000
May 21, 2019	270,000	250,000	20,000	250,000
Nov. 23, 2020	150,000	100,000	-	150,000
Jun. 21, 2021	900,000	300,000	-	900,000
Aug. 23, 2021	75,000	25,000	-	75,000
Jan. 4, 2022	400,000	-	-	400,000
Mar. 21, 2022	2,285,000	-	14,000	2,271,000
May 23, 2022	150,000	24,996	-	150,000
Sep. 26, 2022	5,000	-	-	5,000
Nov. 21, 2022	14,000	-	-	14,000
	4,696,500	1,031,196	221,500	4,475,000

Canadian dollars in thousands, unless otherwise stated

Stock option grant date	Stock options granted		Exercise price	Expected volatility of the stock prices (%)	Risk-free interest rate (%)	Expected life of stock options (years)		Option fair value at the grant date
Jul. 11, 2018	197,500	$	3.50	48.87	2.07	5.0	$	1.36
Nov. 9, 2018	250,000	$	3.84	48.29	2.48	5.0	$	1.78
May 21, 2019	270,000	$	3.57	47.88	1.65	5.0	$	1.67
Nov. 23, 2020	150,000	$	0.87	77.47	0.44	5.0	$	0.55
Jun. 21, 2021	900,000	$	1.05	86.46	0.97	5.0	$	0.73
Aug. 23, 2021	75,000	$	0.78	87.43	0.82	5.0	$	0.49
Jan. 4, 2022	400,000	$	0.86	86.28	1.39	5.0	$	0.57
March 21, 2022	2,285,000	$	0.79	77.90	2.18	5.0	$	0.49
May 23, 2022	150,000	$	0.59	66.20	2.70	5.0	$	0.35
Sep. 26, 2022	5,000	$	0.33	66.16	3.50	5.0	$	0.17
Nov 21, 2022	14,000	$	0.33	79.47	3.32	5.0	$	0.21
May 23, 2023	3,000	$	0.39	80.90	3.41	5.0	$	0.26
Jun. 30, 2023	3,456,000	$	0.36	81.67	3.68	5.0	$	0.27
	8,155,500							

The fair value of the stock options was estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the stock options were granted.

The weighted average exercise price was $0.58 and $1.17 for stock options outstanding as at December 31, 2023 and December 31, 2022, respectively.

The Company recognized an expense of $1,199 in the year ended December 31, 2023 and an expense of $1,020 in the year ended December 31, 2022 as general and administrative expenses.

During the year ended December 31, 2023, the holders of 3,606,000 stock options agreed to the cancellation of their options and an expense of $589 was recognized in general and administrative expense.

NOTE 23: EQUITY METHOD INVESTMENT

Baylin's equity-method investments consist of a 19% interest in Galtronics Canada Ltd. ("GTC"), a Canadian technology company providing innovative antenna designs and RF test services for wireless communication products, and a 19% interest in Advantech Wireless Research Inc. ("AWR"), a Canadian technology company that designs terrestrial and satellite communications solutions for wireless broadband communication companies. AWR was dissolved on December 29, 2022.

For the year ended December 31, 2023, transactions between the Company and GTC totaled $2,665 consisting primarily of research and development expenses related to the services agreements that Company has with GTC. As at December 31, 2023, the Company was owed $874 by GTC.

For the year ended December 31, 2022, transactions between the Company and GTC totaled $2,566. As at December 31, 2022, the Company was owed $1,033 by GTC.

Summary financial information for the Corporation's equity-method investments is as follows:

	As of December 31, 2023 Galtronics Canada Ltd.	As of December 31, 2022 Galtronics Canada Ltd.
Cash	$ 76	$ 46
Other current assets	37	29
Accounts receivables	1,696	1,692
Property, plant and equipment	2,372	2,514
Accounts payables and accrued liabilities	(3,304)	(3,581)
Net assets	$ 877	$ 700
Share of equity method investment net assets	167	133

	For the year ended December 31, 2023	For the year ended December 31, 2022		
	Galtronics Canada Ltd.	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total
Revenue	$ 2,706	$ 3,506	$ 1	$ 3,507
Expenses	2,533	3,293	504	3,797
Net income	$ 173	$ 213	$ (503)	$ (290)
Share of equity method investment net income	33	40	(96)	(56)

NOTE 24: NET LOSS PER SHARE

Details of the number of shares used in the computation of loss per share attributable to shareholders of the Company:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net loss from continuing operations	$ (8,217)	$ (12,663)
Weighted number of shares (in thousands of units)	87,303	80,165
Net loss per common share - continuing operations	$ (0.10)	$ (0.16)
Net loss from discontinued operations	$ (5,635)	$ (4,214)
Weighted number of shares (in thousands of units)	87,303	80,165
Net loss per common share - discontinued operations	$ (0.06)	$ (0.05)
Net loss per common share	$ (0.16)	$ (0.21)

To compute diluted net loss per common share, outstanding DSUs, RSUs, stock options, warrants and convertible debentures have not been considered since their effect is anti-dilutive.

NOTE 25: RELATED PARTY TRANSACTIONS AND LITIGATION

Share-based payment for executive officers

These amounts represent the costs of the grants to key executives and employees under the Company's employee share compensation plans and are recognized within general and administrative expenses.

Share-based payment for directors

These amounts represent the costs of grants to directors of DSUs and are recognized within general and administrative expenses.

Employee Purchase Plan

These amounts represent the costs of grants under the EPP and are recognized within general and administrative expenses.

SpaceBridge Inc. (formerly, Advantech Wireless Inc.)

Legal Proceedings

In January 2018, the Company acquired (the "Advantech Acquisition") the radio frequency, terrestrial microwave and antenna equipment business of Advantech Wireless Inc. (now SpaceBridge Inc. "SpaceBridge"). The Company is both a plaintiff and defendant in various claims arising out of the Advantech Acquisition.

In October 2018, as a result of an indemnity claim made by the Company, the Company received a payment from the escrow agent of approximately $1,800 out of part of the cash purchase price being held in escrow pursuant to the terms of an "Escrow Agreement" that also governed the procedure for making indemnity claims against the escrowed funds. The escrow agent released the amount because SpaceBridge failed to object to the indemnity claim within the 30-day period prescribed by the Escrow Agreement. SpaceBridge then filed an application in the Superior Court of Justice (Ontario) to have the amount repaid to the escrow on various grounds (the "Forfeiture Action"). The Forfeiture Action was heard in May 2023 and the judgment of the Court was rendered in July 2023. In the judgment, the Court found that the Company's indemnity claim had not been validly delivered in accordance with the notice provisions of the Escrow Agreement and therefore SpaceBridge's objections to the claim was not late because the 30-day period had never been triggered. The Court did not rule on the other grounds argued by SpaceBridge. The Court has ordered the Company to repay $1,800, together with interest, to the escrow agent. The Company has appealed the judgment. The Court's order is stayed, pending hearing of the appeal, which is expected to be heard in the second quarter of 2024. The Company has accrued $2,018 in accounts payable and accrued liabilities on the statement of financial position, related to the escrow amount, including interest.

The Company has filed statements of claim against SpaceBridge for certain other indemnity obligations of SpaceBridge arising out of the Advantech Acquisition under the "Asset Purchase Agreement". The claims, in the aggregate, total approximately $5,500. SpaceBridge has filed statements of defence, as well as statements of counterclaim. In July 2019, SpaceBridge delivered multiple indemnity claims pursuant to the terms of the Advantech Acquisition, seeking to set off the amounts being claimed by the Company. The Company has contested the indemnity claims.

In June 2019, SpaceBridge filed an application asserting oppression, among other things, for unspecified amounts in relation to the earn-out under the terms of the Advantech Acquisition and for common shares in the Company for which set-off has been claimed by the Company. SpaceBridge alleges that Mr. Gelerman, a principal of SpaceBridge and a former director of the Company, was improperly denied from participating in the management of the Company, resulting in a lower earn out. The “Asset Purchase Agreement” provided that SpaceBridge would be entitled to an additional (earn-out) payment on account of the purchase price of between $750 and $3,000 in each of 2018 and 2019 conditional on the purchased business achieving certain EBITDA targets in those years. The EBITDA targets were not met in either year. In June 2020, SpaceBridge contested that the EBITDA targets were not met. The Company is opposing the objection and defending the other allegations. No date has been set for the application related to claims for compensation. The issue of whether the Company is entitled to assert set-off on the Common Shares was the subject of an appeal by the Company from a lower court ruling. In February 2021, the Ontario Court of Appeal found in favour of the Company, overturning the lower court’s decision and confirming that the Company is entitled to a right of set-off on the common shares. SpaceBridge applied for leave to appeal the ruling to the Supreme Court of Canada but in July 2021 the application was denied.

In January 2020, SpaceBridge filed a statement of claim claiming damages against the Company for various breaches of the Asset Purchase Agreement and two other agreements that were part of the Advantech Acquisition – a “Consulting Agreement” and a “Transitional Services Agreement”. These claims include the multiple indemnity claims previously made by SpaceBridge, as well as additional claims for breach of the other two agreements. The claims include loss of business opportunities, improper use of SpaceBridge’s books and records, unpaid rent on premises subleased from SpaceBridge as part of the Advantech Acquisition, diminution in the value of the Common Shares payable as part of the consulting fees under the Consulting Agreement and conversion of inventory after completion of the Advantech Acquisition. Where specified, the amount of damages claimed is at least $8,500. Documentary productions and examinations are ongoing.

The Company is unable to determine at this time whether it will be entitled to recover or required to pay any amounts related to these legal proceedings, including the Forfeiture Action; however, in the case of the Forfeiture Action, the Company has taken a reserve of $2,018.

Alga Microwave Inc.

On July 11, 2018, the Company acquired all of the issued and outstanding shares of Alga Microwave Inc. (“Alga”) through a newly incorporated, wholly-owned subsidiary of the Company (the “Alga Acquisition”).

Legal Proceedings

In June 2019, the former shareholders of Alga filed an application against the Company asserting that an event had occurred under the “Share Purchase Agreement” relating to the Alga Acquisition that triggered the payment of an earnout in the amount of $1,000. The Company does not agree that the payment has been triggered and is contesting the application. The parties have completed discoveries and the trial is scheduled for 2025.

In December 2020, a former employee of Alga filed an application against Alga asserting he had been constructively dismissed and claiming damages of approximately $543. Alga is opposing the application and has counter claimed against the former employee.

In May 2021, Alga made a separate claim against the former employee and others, claiming damages for approximately $2,400, alleging, among other things, a conspiracy to damage Alga’s business, wrongful interference with its economic relations and breach of fiduciary duty. The defendants in the previous action then commenced (in June 2021) a separate proceeding against Alga and others claiming the previous action is an abuse of procedure. In July 2021, Alga and the others counter claimed against those defendants for abuse of procedure. All these actions have now been joined in one proceeding.

Canadian dollars in thousands, unless otherwise stated

The Company is unable to determine at this time whether it will be entitled to recover or required to pay any amounts related to these legal proceedings. Accordingly, no provision has been recorded in respect of the claims or counter claims.

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 consideration for the services provided under the agreement, the Company agreed to pay Mr. Royer an annual fee of $125 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. For the year ended December 31, 2023 and 2022 the Company paid $125 and $125, respectively, to Mr. Royer under this agreement.

On December 29, 2023, the Company issued 68,000 Series A Preferred Shares to the Principal Shareholder at an issue price of $25 per share for proceeds of $1,700. The Series A Preferred Shares have a 10% cumulative dividend, redemption and retraction options and are mandatorily redeemable on December 31, 2028.

Director and executive officer remuneration

The following comprise the remuneration for directors and executive officers:

a. Short-term benefits, pension and post-retirement benefits

   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.

b. Directors' remuneration

   These amounts represent fees and expense reimbursement paid to directors.

c. Share-based payment for executive officers

   These amounts represent the costs of stock option grants and cost of ESCP, EPP and RSUs.

d. Share-based payment for directors

   These amounts represent the costs of DSU grants.

The following table summarizes the remuneration of directors and executive officers:

	For the year ended December 31, 2023	2022
Short-term benefits, pension and post-retirement benefits	$ 6,830	$ 5,594
Directors' remuneration	314	284
Share-based payment for executive management	1,199	1,020
Share-based payment for directors	279	266

There are no other related party transactions other than as described herein.

Canadian dollars in thousands, unless otherwise stated

NOTE 26: FAIR VALUE MEASUREMENTS

The Company classifies its financial instruments into the three levels prescribed under the accounting standards.

The following table presents the Company's financial liabilities measured and recognized at fair value and there have been no transfers between levels for the years ended December 31, 2023 and December 31, 2022.

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Convertible Debentures	$ 3,321	$ -	$ -	$ 3,321
Preferred shares	$ -	$ 1,700	$ -	$ 1,700
Foreign exchange future contracts	$ -	$ 14	$ -	$ 14

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Convertible Debentures	$ 4,604	$ -	$ -	$ 4,604

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. As at December 31, 2023 and December 31, 2022, the company held a convertible debenture instrument in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at December 31, 2023 the Company held a foreign exchange future contract instrument and Preferred Shares in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at December 31, 2023 and as at December 31, 2022, the company did not hold any instruments included in level 3.

Canadian dollars in thousands, unless otherwise stated

NOTE 27: REVENUE

Revenues by geographic destination are as follows:

	For the year ended December 31, 2023	2022
United States of America	$ 28,267	$ 27,307
China	7,605	12,950
Indonesia	6,856	5,550
Thailand	5,279	8,706
Canada	4,985	5,153
Sweden	2,390	4,267
France	2,047	688
Israel	1,536	600
Saudi Arabia	1,533	186
Chile	996	5
Singapore	946	54
Spain	939	105
Brazil	885	1,252
Turkey	762	288
United Kingdom	737	338
Vietnam	606	528
Australia	597	1,259
Mexico	478	483
Taiwan	468	745
South Korea	458	52
Portugal	343	313
Philippines	203	275
Romania	211	144
Germany	189	592
Japan	53	186
India	59	969
Hungary	-	751
Other	3,613	4,475
	$ 73,041	$ 78,221

Timing of satisfaction of its performance obligation and revenue recognition and collection of consideration receivable are typically within 30 to 90 days.

Canadian dollars in thousands, unless otherwise stated

NOTE 28: NATURE OF EXPENSES

The nature of cost of sales expenses are as below:

	For the year ended December 31, 2023	2022
Compensation and benefits	$ 12,460	$ 13,561
Depreciation	1,363	1,043
Materials	26,147	29,198
Overhead and Freight	4,673	5,567
	$ 44,643	$ 49,369

The nature of operating expenses are as below:

	For the year ended December 31, 2023	2022
Compensation and benefits	$ 22,137	$ 20,609
Professional services	5,136	2,727
Office and IT costs	2,837	2,865
Depreciation and amortization	2,519	6,834
Impairment (recovery of impairment) of non-current assets	(3,356)	72
Other	4,567	5,615
	$ 33,840	$ 38,722

NOTE 29: FINANCE INCOME AND EXPENSES

The following table summarizes finance income and expenses:

	For the year ended December 31, 2023	2022
Interest income	$ (2)	$ (18)
Interest expense	3,772	2,416
Escrow accrued interest expense	192	-
Interest cost on lease liabilities (Note 10)	415	627
Bank charge expense	72	60
Changes from foreign exchange rate changes	(624)	(193)
Finance expense, net	$ 3,825	$ 2,892

Included within finance expense during the year ended December 31, 2022 are $100 loss on modification of debt related to the amendments to the Term Loan.

NOTE 30: SUBSEQUENT EVENTS

On March 8, 2024, the Credit Agreement was amended to extend the maturity date of the Revolving Facility from March 31, 2024 to June 30, 2024, as described in Note 14.