MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Twelve Months Ended December 31, 2023

Dated March 20, 2024

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

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Baylin Technologies Inc. ("Baylin", the "Company", "we" or "us") was prepared by the Company's management. This MD&A should be read in conjunction with the audited consolidated financial statements of Baylin and related notes thereto for the years ended December 31, 2023 ("fiscal 2023") and December 31, 2022 ("fiscal 2022") (collectively, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to March 20, 2024, unless otherwise stated.

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

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

The Company has hired an investment banker to facilitate the divestiture of our Mobile and Network ("M&N") business line in this calendar year. As a result, for accounting purposes, it is being reported as "held for sale" or "discontinued operations". Unless otherwise noted in this MD&A, the financial and other disclosures reflect the continuing operations of the Company and exclude the M&N business line.

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

NON-IFRS MEASURES

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

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

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

- i. "Net debt", which refers to total bank indebtedness less cash and cash equivalents;
- ii. "Working capital", which refers to current assets less accounts payable and accrued liabilities;
- iii. "Non-cash working capital", which refers to working capital less cash and cash equivalents;
- iv. "Cash conversion cycle", which refers to the following in the most recently completed quarter:
  1) days sales outstanding, plus:
  2) days of inventory outstanding, less:
  3) days payables outstanding;
- v. "Gross margin", which refers to gross profit divided by revenue;
- vi. "EBITDA", which refers to operating income (loss) plus depreciation and amortization;
- vii. "Adjusted EBITDA", which refers to EBITDA plus the sum of the following:
  a) Acquisition expenses;
  b) Fair value step-up of inventory acquired as part of an acquisition;
  c) Expenses for litigation relating to acquisition agreements;
  d) Expenses relating to planned restructuring following an acquisition;
  e) Impairment of fixed and intangible assets (including goodwill) following an acquisition;
  f) Expenses to permanently close or relocate a facility, shut down a line of business, eliminate positions;
  g) Expenses relating to corporate re-organization; and,
  h) Non-cash compensation.

  Management believes that "Adjusted EBITDA" provides useful information to analysts and investors in order to compare companies across and within an industry. Management uses this non-IFRS measure to assist in evaluating productivity, efficiency, return on capital and forecasting operating performance.
- viii. "Backlog", which refers to the value of unfulfilled purchase orders placed by customers.

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

OVERVIEW

Background and Description of Operations

Baylin is a diversified global wireless technology company focused on the research, design, development, manufacture, and sale of passive and active radio frequency ("RF") products, satellite communications products, and supporting services. The Company's products are marketed and sold under the brand names Galtronics and Advantech Wireless. The Company's operations are conducted through subsidiaries.

Effective January 1, 2023, the Company changed the name of its Asia Pacific business line to Mobile and Network business line to better represent its business and products.

Galtronics

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

As a result of the Company's decision to commence a formal process to sell the M&N business line and to treat it as "held for sale" for accounting purposes, the Galtronics line of business is now represented as comprised of two business lines: (a) Embedded Antenna; and (b) Wireless Infrastructure.

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

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

The M&N business line (which was formerly one of the Galtronics business lines) works with OEM customers to design and produce antennas for mobile phones, personal computers, tablets, IOT, and wirelessly connected devices. M&N is led from its offices in South Korea with production at the Company's plant in Vietnam.

Satcom

The Satcom line of business designs and manufactures customizable satellite RF products for highly specialized wireless communications markets and for commercial, critical infrastructure, government and military clients. These include:

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

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

SELECTED FINANCIAL INFORMATION

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

(in $000's except per share amounts)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**	**2023**	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Profit and Loss								
Revenue	**16,129**	20,354	(4,225)	(20.8%)	**73,041**	78,221	(5,180)	(6.6%)
Gross profit	**5,682**	6,961	(1,279)	(18.4%)	**28,398**	28,852	(454)	(1.6%)
Gross margin	**35.2%**	34.2%	1.0%	N/A	**38.9%**	36.9%	2.0%	N/A
Net loss from continuing operations	**(6,944)**	(4,449)	(2,495)	56.1%	**(8,217)**	(12,663)	4,446	(35.1%)
Net loss from discontinued operations	**(1,135)**	(186)	(949)	> 100.0%	**(5,635)**	(4,214)	(1,421)	33.7%
Net loss	**(8,079)**	(4,635)	(3,444)	74.3%	**(13,852)**	(16,877)	3,025	(17.9%)
Basic and diluted net loss per share from continuing operations	**($0.07)**	($0.06)	($0.01)	16.7%	**($0.10)**	($0.16)	$0.06	(37.5%)
Basic and diluted net loss per share from discontinued operations	**($0.01)**	($0.00)	($0.01)	N/A	**($0.06)**	($0.05)	($0.01)	20.0%
Basic and diluted net loss per share	**($0.08)**	($0.06)	($0.02)	33.3%	**($0.16)**	($0.21)	$0.05	(23.8%)
EBITDA* from continuing operations	**(4,547)**	(246)	(4,301)	> 100.0%	**(1,560)**	(1,989)	429	(21.6%)
EBITDA* from discontinued operations	**(976)**	(258)	(718)	> 100.0%	**(2,676)**	14	(2,690)	N/A
EBITDA*	**(5,523)**	(504)	(5,019)	> 100.0%	**(4,236)**	(1,975)	(2,261)	> 100.0%
Adjusted EBITDA* from continuing operations	**(2,047)**	585	(2,632)	N/A	**(191)**	951	(1,142)	N/A
Adjusted EBITDA* from discontinued operations	**(650)**	21	(671)	N/A	**(2,336)**	294	(2,630)	N/A
Adjusted EBITDA*	**(2,697)**	606	(3,303)	N/A	**(2,527)**	1,245	(3,772)	N/A

	As at December 31, 2023	As at December 31, 2022	Change	Change
	$	**$**	**$**	**%**
Balance Sheet and Other**				
Current assets - Continuing operations	**35,346**	49,901	N/A	N/A
Current assets - Assets held for sale	**7,885**	552	N/A	N/A
Total current assets	**43,231**	50,453	N/A	N/A
Total assets	**59,710**	74,384	(14,674)	(19.7%)
Current liabilities - Continuing operations	**38,941**	60,901	N/A	N/A
Current liabilities - Liabilities related to assets held for sale	**8,854**	-	N/A	N/A
Total current liabilities	**47,795**	60,901	N/A	N/A
Total liabilities	**59,746**	77,644	(17,898)	(23.1%)
Net debt* from continuing operations	**12,787**	23,066	(10,279)	(44.6%)
Backlog* from continuing operations	**31,156**	35,200	(4,044)	(11.5%)

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

*** Balance Sheet as at December 31, 2023 reflects the reclassification of all assets and liabilities of the M&N business line into "Assets held for sale" and "Liabilities related to assets held for sale", respectively. Such assets and liabilities are classified as current. Balance Sheet as at December 31, 2022 does not reflect such reclassification, which makes the comparison against the current fiscal year-end results not applicable (except for "Total assets" and "Total liabilities").*

Fiscal Year Summary

- Revenue of $73.0 million in fiscal 2023, a decrease of $5.2 million or 6.6% compared to fiscal 2022. The decrease was primarily due to a decrease in sales volumes in the Embedded Antenna and Wireless Infrastructure business lines compared to the prior fiscal year, partially offset by an increase in sales volumes in the Satcom business line.

- Gross margin (see "Non-IFRS Measures" on page 3 of this MD&A) of 38.9% in fiscal 2023 compared to 36.9% in fiscal 2022, despite gross profit of $28.4 million being $0.5 million less than fiscal 2022. The improved gross margin resulted from a balanced product mix including sales of newly launched products, changes in pricing strategy, and a data driven focus on contribution margin at the business line level. In fiscal 2023, the improvement was mainly generated by: (i) stronger revenue recovery in the Satcom business line; (ii) favourable product mix, including the

new multibeam and innovative antenna portfolio in the Wireless Infrastructure business line; and, (iii) consistent operational efficiency in the Embedded Antenna business line.

- Adjusted EBITDA (see "Non-IFRS Measures" on page 3 of this MD&A) of -$0.2 million in fiscal 2023, a decrease of $1.2 million compared to $1.0 million in fiscal 2022. The decrease in Adjusted EBITDA in fiscal 2023 was primarily due to the decrease in revenue and gross profit as discussed above, partially offset by a decrease in operating expenses compared to the prior fiscal year.
- Adjusted EBITDA from discontinued operations of -$2.3 million in fiscal 2023, a decrease of $2.6 million compared to $0.3 million in fiscal 2022. The decrease in Adjusted EBITDA from discontinued operations was mainly due to the decrease in revenue and gross profit of the M&N business line as a result of across-the-board production volume reductions at its principal customer in fiscal 2023.
- Net loss of $8.2 million in fiscal 2023 compared to a net loss of $12.7 million in fiscal 2022. The net loss in fiscal 2023 was primarily due to an operating loss of $5.4 million, interest expenses and income tax expenses. On a per share basis, a net loss of $0.10 per share in fiscal 2023 compared to a net loss of $0.16 per share in fiscal 2022.
- Net loss from discontinued operations of $5.6 million in fiscal 2023 compared to a net loss of $4.2 million from discontinued operations in fiscal 2022. The net loss from discontinued operations in fiscal 2023 was primarily due to an operating loss of $5.0 million as well as other finance expenses in the M&N business line. On a per share basis, a net loss of $0.06 per share in fiscal 2023 compared to a net loss of $0.05 per share in fiscal 2022.
- Net debt (see "Non-IFRS Measures" on page 3 of this MD&A) of $12.8 million as at December 31, 2023, a decrease of $10.3 million from December 31, 2022, mainly attributable to a decrease in non-cash working capital (see "Non-IFRS Measures" on page 3 of this MD&A) in fiscal 2023 as well as full repayment of the Company's term loan from proceeds of a rights offering and a private placement of preferred shares in December 2023.
- Backlog (see "Non-IFRS Measures" on page 3 of this MD&A) of $31.2 million at December 31, 2023 compared to $35.2 million at December 31, 2022. The decrease was due to a lower level of backlog across all business lines as a result of a challenging macroeconomic environment during fiscal 2023. Backlog increased to $34.7 million at March 13, 2024 as a result of increased order intake levels across all business lines in the first quarter of 2024.

Fourth Quarter Summary

- Revenue of $16.1 million in the fourth quarter of 2023, a decrease of $4.3 million or 20.8% compared to the fourth quarter of 2022. The decrease in revenue in the fourth quarter of 2023 was due to the reasons noted above.
- Gross margin of 35.2% in the fourth quarter of 2023 compared to 34.2% in the fourth quarter of 2022 despite gross profit of $5.7 million being $1.3 million less than the fourth quarter of 2022. The improved gross margin in the fourth quarter of 2023 was mainly attributable to stronger revenue recovery and favourable product mix in the Satcom business line.
- Adjusted EBITDA of -$2.0 million in the fourth quarter of 2023, a decrease of $2.6 million compared to the fourth quarter of 2022. The decrease in Adjusted EBITDA in the fourth quarter of 2023 was mainly due to the decrease in revenue and gross profit as discussed above.
- Adjusted EBITDA from discontinued operations of -$0.7 million in the fourth quarter of 2023, a decrease of $0.7 million compared to the fourth quarter of 2022. The decrease in Adjusted EBITDA from discontinued operations was due to the reasons noted above.
- Net loss of $6.9 million in the fourth quarter of 2023 compared to a net loss of $4.4 million in the fourth quarter of 2022. The net loss in the fourth quarter of 2023 was primarily due to an operating loss of $5.3 million as well as interest expenses. On a per share basis, a net loss of $0.07 per share in the fourth quarter of 2023 compared to a net loss of $0.06 per share in the fourth quarter of 2022.
- Net loss from discontinued operations of $1.1 million in the fourth quarter of 2023 compared to a net loss of $0.2 million from discontinued operations in the fourth quarter of 2022. On a per share basis, a net loss of $0.01 per share in the fourth quarter of 2023 compared to a net loss of close to $0.00 per share in the fourth quarter of 2022.

RECENT DEVELOPMENTS

Products

Galtronics multibeam antennas continue to demonstrate their class-leading performance, building on earlier successes in 2023 and now into 2024. Notably, they were chosen for Allegiant Stadium in Los Vegas, Nevada, host venue for the 2024 Super Bowl. The antennas are uniquely able to handle large scale events and venues in a cost-effective manner for wireless carriers. Additionally, they offer comparable performance to lens-type technology at a more economical price point and provide beam stability across frequency bands to ensure a better user experience. Galtronics is the only company approved by the three major US telecom carriers for these innovative products, opening up additional revenue opportunities for the remainder of 2024.

Satcom continues to expand and develop its solid state power amplifier systems. Summit III, its latest system, is based on the compact and soft-fail redundant Genesis amplifier, which is available in Ku-band architecture of 200 watts to 500 watts and also a C-band architecture in 500 watts. In February 2024, Satcom received an order for the first phase of a Direct-to-Home satellite broadcast network from a major cable operator in India. The first phase of the order consists of four 3.2kW Summit III systems, each comprised of eight 500 watt C-band amplifiers with an order value of approximately $2.7 million. The second phase of the order is expected in late Spring 2024 and the third phase of the order is expected in March 2025.

Credit Facilities

The Company agreed with its principal lenders, Royal Bank of Canada and HSBC Bank Canada, to further amendments to the Credit Agreement governing the Credit Facilities, including an extension to the maturity date of the Revolving Facility from March 31, 2024 to June 30, 2024.

Financings

In December 2023, the Company completed two financings - a rights offering and a private placement.

On November 10, 2023, the Company announced an offering (the “Rights Offering”) of rights (the “Rights”) to shareholders of record of its common shares on November 21, 2023 under which holders were entitled to receive one Right for each common share held, resulting in the issuance of 88,547,818 Rights. Each Right entitled the holder to purchase one common share at a subscription price of $0.19, a 17.4% discount to the closing price of the common shares on the TSX on the day before the announcement. The Rights Offering expired on December 19, 2023. The purpose of the Rights Offering was to raise proceeds to repay term indebtedness under the Company’s Credit Facilities (see “Credit from banks and loans” on page 19 of this MD&A).

The Company received subscriptions for 62,186,516 common shares, including subscriptions for 54,626,763 common shares from 2385796 Ontario Inc., the Company’s largest shareholder (the “Principal Shareholder”), and a related party of the Principal Shareholder, resulting in proceeds to the Company of approximately $11.8 million.

On December 29, 2023, the Company completed a private placement (the “Private Placement”) of a new series of its preferred shares to the Principal Shareholder. The Principal Shareholder subscribed for 68,000 10% Cumulative Redeemable Retractable Series A Preferred Shares (the “Series Preferred Shares”) at a price of $25.00 per share, resulting in proceeds to the Company of $1.7 million.

The Company used the proceeds from the Rights Offering and Private Placement to repay in full term indebtedness owed to its principal Canadian lenders, which was due on December 29, 2023 (see “Credit from banks and loans” on page 19 of this MD&A).

Management Changes

Mr. JJ Kim, who was appointed President of the Mobile and Network business line in September 2023, resigned effective March 1, 2024 to spend additional time with his family and for health reasons. The Company is in the process of recruiting a replacement.

OUTLOOK

The Company continued to navigate a challenging macroeconomic environment during the fourth quarter of 2023, resulting in lower revenue, gross margin and Adjusted EBITDA than each of the previous three quarters in 2023. While our overall performance continued to be significantly negatively affected by the results of our M&N business line, we also experienced softness in our Embedded Antenna and Wireless Infrastructure business lines. Satcom's performance remained in line with expectations.

We continue to prioritize product mix, emphasizing products that generate higher margins and gross profit, with a view to maintaining and growing Adjusted EBITDA. The macroeconomic environment and the effect of high interest rates are expected to remain an issue for our business in the short term. These factors could affect our volume of orders and revenue as well as causing pushouts of orders from customers. However, we expect to see signs of improvement across all business lines in 2024, particularly in the Embedded Antenna business line, starting in the first quarter of 2024.

The Company is continuing its efforts to recapitalize its balance sheet by reducing indebtedness and refinancing its revolving credit facility. The repayment of our term indebtedness at 2023 year-end was a major milestone in those efforts. Moving forward, the Company is looking to replace its current revolving facility with an asset-based loan, which will reduce annual debt service costs by eliminating annual principal payments, freeing up cash for investment in the business.

Embedded Antenna Business Line

The Embedded Antenna business line was adversely affected by macroeconomic conditions in 2023, particularly in the fourth quarter, resulting in materially lower sales volumes, a result that was reflected industrywide. We were also affected by lower margins caused by changes in product mix. These conditions are not likely to recur in 2024 and we expect to see a slow recovery in demand for embedded products, including as service providers shift from Wi-Fi 6 to Wi-Fi 7. We are already seeing evidence of increased demand. For now, we expect the Embedded Antenna business line will continue to perform reasonably well in 2024, in line with 2023. Its performance depends on the ability of the home networking, public safety and automotive markets to remain resilient in the face of the economic pressures. The number of active bids for 2024 projects remains at a very strong level for the business.

Wireless Infrastructure Business Line

We expect the Wireless Infrastructure business line will perform well in 2024, up from 2023, with improvements in revenue, gross margin and Adjusted EBITDA. We are looking to build on the sales success of its higher margin multibeam and innovative small cell antennas as well as the strong pace of stadium deployments. We expect that our new higher margin multibeam and innovative small cell antennas will open up new global opportunities to drive sales with wireless carriers and third-party operators who operate wireless mobile networks for their customers. We are continuing to expand into new markets, particularly in areas in Europe where we have not previously had sales. Although we experienced some pull-back on spending by wireless carriers and infrastructure customers broadly in the fourth quarter of 2023, we expect to continue to grow and take market share by focusing on our unique competitive advantages. We do expect to see increased spending by carriers on small cells in 2024, which will drive further volumes for the business.

Satcom Business Line

The Satcom business line continues to demonstrate consistent demand with capital spending by our customers.

Satcom benefited from the capital build cycles of satellite operators and others in the Satcom ecosystem in 2023. We saw that major programmatic opportunities continued to be resilient, particularly for high powered amplifiers, and we expect this will continue in 2024. We do see softness in the commercial lower power market, but given our focus on higher power opportunities, the business will continue to have resiliency in the coming year. We further expect that our new Genesis and Summit lines of solid-state power amplifiers will generate sales from clients due to the improvements in performance, monitoring, and failover they provide over our older technology and our competition. Importantly, these new amplifiers are consistent in architecture, meaning they will allow the business to simplify supply chain over time and thereby improve efficiencies in manufacturing.

We continue to see opportunities for growth in sales for military and other government-related uses as many western countries continue to maintain high levels of defence and scientific spending. Given the technology upgrades within our product portfolio, we expect to continue our strong sales volumes while we work to improve our overall margin attainment.

Overall, we expect revenue and Adjusted EBITDA in 2024 will be incrementally stronger than 2023. The Satcom business line continues to demonstrate a strong order book with improving margins. Improving production efficiencies in our facilities in order to address the backlog and improve overall revenue attainment remains an important priority, particularly in our Kirkland, Quebec, facility. In order to alleviate some of the production backlog in that facility, we have begun production of high-power amplifiers in our State College, Pennsylvania, facility.

Mobile and Network (formerly, Asia Pacific) Business Line

The M&N business line continues to face significant challenges due to continuing large production volume reductions at its principal customer. Those reductions reflect a contraction in the customer's smartphone market, due in part to consumers upgrading their smartphones with less frequency, as well as competitive pressures faced by the customer. Global shipments of smartphones experienced a year-over-year decline in 2023 although demand increased in the fourth quarter. The customer is also facing weaker demand for its other products such as tablets, smart watches, and other wirelessly connected devices.

Management has been taking steps to limit the adverse effect this has had on the M&N business. We continue to focus on reducing or eliminating operating and other costs while work is done to diversify the revenue base. M&N has been awarded other revenue-generating projects, but several have been hampered by the adverse economic environment in the Korean market, and any resulting benefit is not likely to be seen until the second half of 2024.

Given these ongoing challenges, the Company has hired an investment banker to facilitate the divestiture of the M&N business line in this calendar year.

FISCAL YEAR DISCUSSION OF CONTINUING OPERATIONS

Revenue and Gross Profit

(in $000's)

	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**73,041**	**78,221**	**(5,180)**	**(6.6%)**
Cost of sales	44,643	49,369	(4,726)	(9.6%)
Gross profit	**28,398**	**28,852**	**(454)**	**(1.6%)**
Gross margin	38.9%	36.9%		

Note: The financial information in the above table reflects results from continuing operations only.

a) *Factors affecting Revenue and Gross Profit*

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

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

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

b) *Fiscal 2023 compared to Fiscal 2022*

The Company's revenue was $73.0 million in fiscal 2023 compared to $78.2 million in fiscal 2022, representing a decrease of $5.2 million or 6.6%. The decrease was mainly due to a decrease in sales volume across the Galtronics business lines, partially offset by stronger sales in the Satcom business line.

The Company's gross profit was $28.4 million in fiscal 2023 compared to $28.9 million in fiscal 2022. Gross margin was 38.9% in fiscal 2023 compared to 36.9% in fiscal 2022. The improved gross margin resulted from a balanced

product mix including sales of newly launched products, changes in pricing strategy, and a data driven focus on contribution margin at the business line level. In fiscal 2023 the improvement was primarily generated by: (i) stronger revenue recovery in the Satcom business line; (ii) favourable product mix, including the new multibeam and innovative antenna portfolio in the Wireless Infrastructure business line; and, (iii) consistent operational efficiency in the Embedded Antenna business line.

Selling and Marketing Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	4,269	3,995	274	6.9%
Other	2,835	2,825	10	0.4%
Total	**7,104**	**6,820**	**284**	**4.2%**
As a percentage of revenue	9.7%	8.7%		

Note: The financial information in the above table reflects results from continuing operations only.

a) *Factors affecting Selling and Marketing Expenses*

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

b) *Fiscal 2023 compared to Fiscal 2022*

The Company's selling and marketing expenses in fiscal 2023 were $7.1 million (9.7% of revenue) compared to $6.8 million (8.7% of revenue) in fiscal 2022. The increase was primarily due to higher payroll and benefits costs in fiscal 2023 as a result of an increase in headcount compared to the prior fiscal year.

Research and Development Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Research and development costs	11,040	10,352	688	6.6%
Depreciation	415	314	101	32.2%
Total	**11,455**	**10,666**	**789**	**7.4%**
As a percentage of revenue	15.7%	13.6%		

Note: The financial information in the above table reflects results from continuing operations only.

a) *Factors affecting Research and Development Expenses*

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

b) Fiscal 2023 compared to Fiscal 2022

The Company's R&D expenses in fiscal 2023 were $11.5 million (15.7% of revenue) compared to $10.7 million (13.6% of revenue) in fiscal 2022. The increase was primarily due to higher engineering expenses incurred for new product development in fiscal 2023 compared to the prior fiscal year.

General and Administrative Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	6,562	6,693	(131)	(2.0%)
Other	9,971	8,023	1,948	24.3%
Depreciation	773	1,500	(727)	(48.5%)
Amortization	1,331	5,020	(3,689)	(73.5%)
Total	**18,637**	**21,236**	**(2,599)**	**(12.2%)**
As a percentage of revenue	25.5%	27.1%		

Note: The financial information in the above table reflects results from continuing operations only.

a) Factors affecting General and Administrative Expenses

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

b) Fiscal 2023 compared to Fiscal 2022

The Company's G&A expenses in fiscal 2023 were $18.6 million (25.5% of revenue) compared to $21.2 million (27.1% of revenue) in fiscal 2022. The decrease was mainly due to lower depreciation and amortization expenses which resulted from the successful transfer of the MMU facility lease in Vietnam and the full amortization of customer relations intangible assets in the first quarter of 2023.

Other G&A expenses in fiscal 2023 increased by $1.9 million compared to fiscal 2022, primarily due to an accrual of $2.0 million in fiscal 2023 related to a court ordered judgment in July 2023 requiring the Company to return the funds into an escrow account set up as part of the acquisition of the Advantech Wireless business in 2018. The Company is appealing the judgment. For further details, see Note 25 to our Consolidated Financial Statements for the year ended December 31, 2023.

Government Assistance Programs

(in $000's)

		Twelve Months Ended December 31,			
		2023	**2022**	**Change**	**Change**
		$	**$**	**$**	**%**
Employee Retention Tax Credit Program	USA	1,200	-	1,200	N/A
Total		**1,200**	**-**	**1,200**	**N/A**

Note: The financial information in the above table reflects results from continuing operations only.

The Company recognized $1.2 million related to the US Employee Retention Tax Credit Program in fiscal 2023, which was recorded as a reduction of cost of sales and operating expenses in the amount of $0.1 million and $1.1 million, respectively. The cash benefit of this tax credit is expected to be realized in fiscal 2024.

EBITDA and Adjusted EBITDA

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

Reconciliation to Operating Loss

(in $000's)

	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating loss	**(5,442)**	**(9,870)**	**4,428**	**(44.9%)**
Depreciation and amortization	3,882	7,881	(3,999)	(50.7%)
EBITDA	**(1,560)**	**(1,989)**	**429**	**(21.6%)**
Adjustments to EBITDA	1,369	2,940	(1,571)	(53.4%)
Adjusted EBITDA	**(191)**	**951**	**(1,142)**	**N/A**

Note: The financial information in the above table reflects results from continuing operations only.

Adjustments to EBITDA

(in $000's)

	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses for litigation relating to acquisition agreements	246	692	(446)	(64.5%)
Expenses relating to planned restructuring following an acquisition	2,085	(2)	2,087	N/A
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	(3,253)	367	(3,620)	N/A
Corporate re-organization expenses	7	438	(431)	(98.4%)
Non-cash compensation	2,284	1,373	911	66.4%
Total	**1,369**	**2,940**	**(1,571)**	**(53.4%)**

Note: The financial information in the above table reflects results from continuing operations only.

a) *Factors affecting Operating Loss and EBITDA*

The Company's operating loss and EBITDA are highly impacted by sales volumes, product sales mix, gross profit as well as operating expenses including the expenditures in R&D related to new products.

b) *Fiscal 2023 compared to Fiscal 2022*

The Company's operating loss in fiscal 2023 was $5.4 million compared to $9.9 million in fiscal 2022. The improvement was mainly due to lower operating expenses in fiscal 2023 as well as a gain on lease termination and sale of non-current assets in the amount of $3.4 million as a result of completing the transfer of the MMU facility lease in Vietnam, partially offset by lower gross profit compared to the prior fiscal year.

The Company's Adjusted EBITDA in fiscal 2023 was -$0.2 million compared to $1.0 million in fiscal 2022. Adjustments to EBITDA amounting to $1.4 million in fiscal 2023 are detailed in the chart above.

Net Loss

(in $000's except per share amounts)

	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Loss before income taxes	(8,071)	(12,562)	4,491	(35.8%)
Income tax expense	146	101	45	44.6%
Net loss	**(8,217)**	**(12,663)**	**4,446**	**(35.1%)**
Basic and diluted net loss per share	($0.10)	($0.16)	$0.06	(37.5%)

Note: The financial information in the above table reflects results from continuing operations only.

a) *Factors affecting Net Loss*

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

b) *Fiscal 2023 compared to Fiscal 2022*

The Company's net loss in fiscal 2023 was $8.2 million compared to a net loss of $12.7 million in fiscal 2022. The net loss in fiscal 2023 was primarily due to an operating loss of $5.4 million, interest expenses and income tax expenses. On a per share basis, fiscal 2023 generated a net loss of $0.10 per share compared to a net loss of $0.16 per share in fiscal 2022.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	2023				**2022**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Profit and Loss								
Revenue	**16,129**	16,860	21,307	18,745	20,354	20,239	19,564	18,064
Gross profit	**5,682**	6,607	8,492	7,617	6,961	7,079	8,195	6,617
Gross margin	**35.2%**	39.2%	39.9%	40.6%	34.2%	35.0%	41.9%	36.6%
Net income (loss) from continuing operations	**(6,944)**	(2,351)	215	863	(4,449)	(2,909)	(2,575)	(2,730)
Net loss from discontinued operations	**(1,135)**	(1,013)	(1,458)	(2,029)	(186)	(1,952)	(1,733)	(343)
Net loss	**(8,079)**	(3,364)	(1,243)	(1,166)	(4,635)	(4,861)	(4,308)	(3,073)
Basic and diluted net income (loss) per share from continuing operations	**($0.07)**	($0.03)	$0.00	$0.02	($0.06)	($0.04)	($0.03)	($0.03)
Basic and diluted net loss per share from discontinued operations	**($0.01)**	($0.01)	($0.02)	($0.03)	($0.00)	($0.02)	($0.02)	($0.01)
Basic and diluted net loss per share	**($0.08)**	($0.04)	($0.02)	($0.01)	($0.06)	($0.06)	($0.05)	($0.04)
EBITDA* from continuing operations	**(4,547)**	(1,434)	1,094	3,327	(246)	(636)	(435)	(672)
EBITDA* from discontinued operations	**(976)**	(10)	(684)	(1,006)	(258)	(43)	(111)	426
EBITDA*	**(5,523)**	(1,444)	410	2,321	(504)	(679)	(546)	(246)
Adjusted EBITDA* from continuing operations	**(2,047)**	(779)	1,050	1,585	585	135	434	(203)
Adjusted EBITDA* from discontinued operations	**(650)**	(10)	(968)	(708)	21	(43)	(111)	427
Adjusted EBITDA*	**(2,697)**	(789)	82	877	606	92	323	224
Balance Sheet and Other*								
Current assets - Continuing operations	**35,346**	48,695	49,267	49,730	49,901	53,833	52,748	59,117
Current assets - Assets held for sale	**7,885**	-	400	402	552	911	1,596	1,596
Total current assets	**43,231**	48,695	49,667	50,132	50,453	54,744	54,344	60,713
Total assets	**59,710**	68,959	70,643	72,702	74,384	80,811	81,751	89,993
Current liabilities - Continuing operations	**38,941**	64,976	63,522	66,197	60,901	62,857	59,395	63,225
Current liabilities - Liabilities related to assets held for sale	**8,854**	-	-	-	-	-	-	-
Total current liabilities	**47,795**	64,976	63,522	66,197	60,901	62,857	59,395	63,225
Total liabilities	**59,746**	73,850	72,940	75,854	77,644	80,162	76,900	81,146
Net debt* from continuing operations	**12,787**	26,935	23,725	23,219	23,066	23,051	22,684	19,324
Backlog* from continuing operations	**31,156**	30,659	32,275	33,942	35,200	33,796	34,584	33,212

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

*** Balance Sheet as at the end of the fourth quarter of 2023 reflects the reclassification of all assets and liabilities of the M&N business line into "Assets held for sale" and "Liabilities related to assets held for sale", respectively. Such assets and liabilities are classified as current. Balance Sheet as at the end of the preceding seven quarters does not reflect such reclassification, which makes the comparison against the current quarter-end results not applicable (except for "Total assets" and "Total liabilities").*

FOURTH QUARTER DISCUSSION OF CONTINUING OPERATIONS

Revenue and Gross Profit

(in $000's)

	Three Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**16,129**	**20,354**	**(4,225)**	**(20.8%)**
Cost of sales	10,447	13,393	(2,946)	(22.0%)
Gross profit	**5,682**	**6,961**	**(1,279)**	**(18.4%)**
Gross margin	35.2%	34.2%		

Note: The financial information in the above table reflects results from continuing operations only.

- *Fourth Quarter of 2023 compared to Fourth Quarter of 2022*

  The Company's revenue was $16.1 million in the fourth quarter of 2023 compared to $20.4 million in the fourth quarter of 2022, representing a decrease of $4.3 million or 20.8%. The decrease was primarily due to sales volume decreases in the Embedded Antenna and Wireless Infrastructure business lines, partially offset by stronger sales in the Satcom business line.

  The Company's gross profit was $5.7 million in the fourth quarter of 2023, a decrease of $1.3 million compared to the fourth quarter of 2022. Gross margin was 35.2% in the fourth quarter of 2023 compared to 34.2% in the fourth quarter of 2022. The improved gross margin in the fourth quarter of 2023 was primarily attributable to stronger revenue and favourable product mix in the Satcom business line compared to the prior year period.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,047	1,062	(15)	(1.4%)
Other	743	687	56	8.2%
Total	**1,790**	**1,749**	**41**	**2.3%**
As a percentage of revenue	11.1%	8.6%		

Note: The financial information in the above table reflects results from continuing operations only.

- *Fourth Quarter of 2023 compared to Fourth Quarter of 2022*

  The Company's selling and marketing expenses in the fourth quarter of 2023 were $1.8 million (11.1% of revenue) compared to $1.7 million (8.6% of revenue) in the fourth quarter of 2022. Selling and marketing expenses in the fourth quarter of 2023 remained largely consistent with the prior year period.

Research and Development Expenses

(in $000's)

	Three Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Research and development costs	2,921	2,501	420	16.8%
Depreciation	104	109	(5)	(4.6%)
Total	**3,025**	**2,610**	**415**	**15.9%**
As a percentage of revenue	18.8%	12.8%		

Note: The financial information in the above table reflects results from continuing operations only.

- *Fourth Quarter of 2023 compared to Fourth Quarter of 2022*

  The Company's R&D expenses in the fourth quarter of 2023 were $3.0 million (18.8% of revenue) compared to $2.6 million (12.8% of revenue) in the fourth quarter of 2022. The increase was mainly due to higher engineering expenses incurred for the development of new antenna products in the fourth quarter of 2023.

General and Administrative Expenses

(in $000's)

	Three Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,598	1,732	(134)	(7.7%)
Other	4,219	1,462	2,757	> 100.0%
Depreciation	220	199	21	10.6%
Amortization	80	1,275	(1,195)	(93.7%)
Total	**6,117**	**4,668**	**1,449**	**31.0%**
As a percentage of revenue	37.9%	22.9%		

Note: The financial information in the above table reflects results from continuing operations only.

- *Fourth Quarter of 2023 compared to Fourth Quarter of 2022*

  The Company's G&A expenses in the fourth quarter of 2023 were $6.1 million (37.9% of revenue) compared to $4.7 million (22.9% of revenue) in the fourth quarter of 2022. The increase primarily resulted from other G&A expenses in the fourth quarter of 2023, which included an accrual in the amount of $2.0 million related to a court ordered judgment in July 2023 requiring the Company to return the funds into an escrow account set up as part of the acquisition of the Advantech Wireless business in 2018. The Company is appealing the judgment. For further details, see Note 25 to our Consolidated Financial Statements for the year ended December 31, 2023.

  The increase of G&A expenses was partially offset by a decrease in amortization expenses in the fourth quarter of 2023, which was mainly due to the full amortization of customer relations intangible assets in the first quarter of 2023.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are reconciled as follows:

Reconciliation to Operating Loss

(in $000's)

	Three Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating loss	**(5,251)**	**(2,066)**	**(3,185)**	**> 100.0%**
Depreciation and amortization	704	1,820	(1,116)	(61.3%)
EBITDA	**(4,547)**	**(246)**	**(4,301)**	**> 100.0%**
Adjustments to EBITDA	2,500	831	1,669	> 100.0%
Adjusted EBITDA	**(2,047)**	**585**	**(2,632)**	**N/A**

Note: The financial information in the above table reflects results from continuing operations only.

Adjustments to EBITDA

(in $000's)

	Three Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses for litigation relating to acquisition agreements	159	281	(122)	(43.4%)
Expenses relating to planned restructuring following an acquisition	1,887	(525)	2,412	N/A
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	20	298	(278)	(93.3%)
Corporate re-organization expenses	-	348	(348)	(100.0%)
Non-cash compensation	434	357	77	21.6%
Total	**2,500**	**831**	**1,669**	**> 100.0%**

Note: The financial information in the above table reflects results from continuing operations only.

- *Fourth Quarter of 2023 compared to Fourth Quarter of 2022*

  The Company's operating loss in the fourth quarter of 2023 was $5.3 million compared to $2.1 million in the fourth quarter of 2022. The increase was mainly due to higher operating expenses in the fourth quarter of 2023 as discussed above, as well as lower gross profit compared to the prior year period.

  The Company's Adjusted EBITDA in the fourth quarter of 2023 was -$2.0 million compared to $0.6 million in the fourth quarter of 2022. Adjustments to EBITDA amounting to $2.5 million in the fourth quarter of 2023 are detailed in the chart above.

Net Loss

(in $000's except per share amounts)	Three Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Loss before income taxes	(7,042)	(3,822)	(3,220)	84.2%
Income tax expense (recovery)	(98)	627	(725)	N/A
Net loss	**(6,944)**	**(4,449)**	**(2,495)**	**56.1%**
Basic and diluted net loss per share	($0.07)	($0.06)	($0.01)	16.7%

Note: The financial information in the above table reflects results from continuing operations only.

- *Fourth Quarter of 2023 compared to Fourth Quarter of 2022*

  The Company's net loss in the fourth quarter of 2023 was $6.9 million compared to a net loss of $4.4 million in the fourth quarter of 2022. The net loss in the fourth quarter of 2023 was primarily due to the operating loss as discussed above. On a per share basis, the fourth quarter of 2023 produced a net loss of $0.07 per share compared to a net loss of $0.06 per share in the fourth quarter of 2022.

CASH FLOWS

(in $000's)	Twelve Months Ended December 31,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Cash flows (used in) generated from:				
Operating activities	(3,551)	(4,236)	685	(16.2%)
Investing activities	(33)	(1,604)	1,571	(97.9%)
Financing activities	5,109	(6,254)	11,363	N/A
Net cash inflows (outflows) from continuing operations	1,525	(12,094)	13,619	N/A
Net cash outflows from discontinued operations	(3,787)	(1,221)	(2,566)	> 100.0%
Effect of foreign exchange differences	(214)	1,020	(1,234)	N/A
Net cash outflows	(2,476)	(12,295)	9,819	(79.9%)
Cash and cash equivalents at the beginning of period	7,379	19,674	(12,295)	(62.5%)
Cash and cash equivalents at the end of period	4,903	7,379	(2,476)	(33.6%)

Note: The financial information discussed below reflects results from continuing operations only.

Operating Activities

Cash used in operating activities was $3.6 million during the twelve months ended December 31, 2023, a decrease of $0.6 million compared to $4.2 million used during the twelve months ended December 31, 2022. The decrease of cash used in operating activities in fiscal 2023 was primarily due to an improvement in non-cash working capital changes compared to the prior fiscal year, offset partially by an increase in cash paid for debt interest.

Investing Activities

Cash used in investing activities was close to nil during the twelve months ended December 31, 2023 compared to $1.6 million used during the twelve months ended December 31, 2022. The decrease of cash used in investing activities in fiscal 2023 was mainly due to cash conservation measures to preserve liquidity resulting in a reduction in capital expenditures, particularly in the Satcom business line, offset partially by proceeds from sale of assets in the MMU facility in Vietnam.

Financing Activities

Cash generated from financing activities was $5.1 million during the twelve months ended December 31, 2023, an increase of $11.4 million compared to $6.3 million used during the twelve months ended December 31, 2022. The increase was primarily due to a rights offering and private placement of preferred shares in December 2023, a private placement in May 2023, as well as an increase in borrowing from the Company's credit facility in China, offset partially by repayment of the Company's term loan in full.

NET DEBT, CAPITAL RESOURCES AND LIQUIDITY

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

Net Debt

(in $000's)

	As at December 31, 2023	As at December 31, 2022*	Change	Change
	$	$	$	%
Total Debt	17,690	28,471	(10,781)	(37.9%)
Less: Cash and cash equivalents	4,903	5,405	(502)	(9.3%)
Net Debt	**12,787**	**23,066**	**(10,279)**	**(44.6%)**

*Note: The financial information as at December 31, 2022 has been restated to reflect continuing operations only, which makes it comparable to the result as at December 31, 2023.

The Company had net debt at December 31, 2023 and December 31, 2022 of $12.8 million and $23.1 million, respectively. The decrease in net debt was primarily due to a decrease in non-cash working capital during the twelve months ended December 31, 2023, as well as the repayment of the Company's term loan in full using proceeds from a rights offering and private placement of preferred shares in December 2023, partially offset by an increase in cash paid for loan interest.

Liquidity

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

Liquidity is impacted by the availability and maturity of the Company's revolving credit facility (see "Credit from banks and loans" on page 19 of this MD&A).

Working capital requirements

Working capital requirements are mainly for materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements could increase due to increased revenue, customer payment delays, increased inventory levels to meet additional demand, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at December 31, 2023, the Company's CCC was 92 days compared to 69 days* as at December 31, 2022. (*CCC as at December 31, 2022 has been restated to reflect continuing operations only, which makes it comparable to the result as at December 31, 2023.)

During the twelve months ended December 31, 2023, non-cash working capital decreased by $3.0 million. The decrease mainly resulted from the following factors:

a) Decrease in trade receivables of $7.6 million, primarily due to softer sales in the Embedded Antenna and Wireless Infrastructure business lines in the latter part of fiscal 2023;

offset partially by:

b) Increase in inventories of $1.9 million, primarily due to investment in inventories for the Satcom business line to mitigate long lead times in order to support the increased backlog and demand; and,
c) Decrease in trade payables and other current liabilities of $2.1 million, mainly due to reductions in the production volume in the Embedded Antenna and Wireless Infrastructure business lines as a result of softer sales and demand in the latter part of fiscal 2023.

Commitment for capital expenditures

As at December 31, 2023, the Company had an aggregate commitment for capital expenditures of approximately $0.1 million, which are primarily for upgrades to the IT system and hardware maintenance.

Credit from banks and loans

On March 29, 2019, the Company entered into a credit agreement (the "Credit Agreement") with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") pursuant to which the Lenders established in favour of the Company a revolving credit facility (the "Revolving Facility") for up to $15 million and a term credit facility ("Term Loan") for up to $27.8 million (together, the "Credit Facilities"). The Credit Facilities are guaranteed by the Company's principal operating subsidiaries (other than those in Vietnam) and are secured by substantially all the assets of the Company and the guarantors. The Credit Agreement originally included financial covenants, including a Senior Debt to Equity Ratio and a Fixed Charge Coverage Ratio (each as defined in the Credit Agreement), minimum EBITDA (as defined in the Credit Agreement) and minimum Liquidity (as defined in the Credit Agreement). The Credit Agreement also includes other customary positive and negative covenants (including limitations on dispositions, additional debt, investments, distributions, capital expenditures, changes to the business and financial assistance), and events of default.

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

The Company may draw on its available revolving credit facilities under the Revolving Facility as well as revolving credit facilities with banks domiciled in China and South Korea, as needed. As at December 31, 2023, the Company's aggregate revolving credit facilities were $21.0 million, of which $17.7 million was drawn and utilized. As at December 31, 2023, $12.4 million was outstanding under the Revolving Facility.

The principal amount under the Term Loan was fully advanced in US dollars and was used to repay existing indebtedness. Quarterly principal repayments in the amount of $1.0 million commenced on June 30, 2019, with the scheduled principal repayments for June 30, 2020, September 30, 2020 and September 30, 2023 being deferred with the consent of the Lenders. The Term Loan was fully repaid at maturity on December 29, 2023 with the proceeds raised from the Rights Offering and Private Placement (see "Recent Developments - Financings" on page 7 of this MD&A).

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

- the maturity date of the Revolving Facility has been extended from March 31, 2024 to June 30, 2024;
- the Senior Debt to EBITDA Ratio, the Fixed Charge Coverage Ratio and the minimum EBITDA covenants are not applicable for testing during the remaining term of the Credit Facilities;
- the Company is required to maintain a minimum Liquidity of $3 million from September 30, 2023 up to and including March 31, 2024;
- the maximum availability under the Revolving Facility is $15 million; and,
- at any time the Senior Debt to EBITDA Ratio is equal to or more than 2.75:1.00, the margin on US Base Rate loans is 2.50% and the standby fee is 0.70%.

The recent amendments included a waiver of the requirement to maintain minimum Liquidity of $4 million for the months ended December 31, 2023 and January 31, 2024, as these covenants were not met.

The Credit Facilities are currently advanced in US dollars. With effect from March 29, 2022, the US Base Rate applies to the Credit Facilities, with the interest rate being 11.50% as at December 31, 2023 (including the applicable margin of 2.50%).

Galtronics Vietnam Dai Dong Company Limited ("GTD"), one of the Company's subsidiaries in Vietnam, and HSBC Bank (Vietnam) Ltd. ("HSBC Vietnam"), 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 at maturity on August 18, 2023.

Convertible debentures

On July 10, 2018, the Company issued $17.25 million 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 million principal amount of the Debentures converted their Debentures into 10,932,429 common shares at the New Conversion Price, leaving $5.115 million 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. As a result of the Company’s December 2023 rights offering, the Conversion Price was adjusted and is now $0.9156.

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 $0.9156 per common share, subject to adjustment in accordance with the Indenture.

The Company may, at its option, subject to receipt of any required regulatory approvals, elect to satisfy its obligation to repay the principal amount of the Debentures at maturity, provided no Event of Default (as defined in the Indenture) has occurred and is continuing at such time, upon not more than 60 days’ and not less than 40 days’ prior written notice, by delivering that number of freely tradeable common shares obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price (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.

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

SHARE-BASED PAYMENTS

Omnibus Equity Incentive Plan

On August 13, 2020, the shareholders of the Company approved a new Omnibus Equity Incentive Plan (as amended and restated, 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”), stock options and common shares (with or without restrictions). 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 12% 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.

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

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

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

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2023	1,537,514	$1.04
DSUs granted during 2023	914,213	$0.31
DSUs outstanding as at December 31, 2023	2,451,727	$0.77

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2022	923,315	$1.45
DSUs granted during 2022	614,199	$0.43
DSUs outstanding as at December 31, 2022	1,537,514	$1.04

The Company recognized a DSU expense of $0.3 million during the twelve months ended December 31, 2023, which was included in G&A expenses.

Stock Option Grants

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

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

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at December 31, 2023	Options vested as at December 31, 2022	Options exercised, surrendered, expired or cancelled as at December 31, 2023	Options net outstanding as at December 31, 2023
Jul. 11, 2018	197,500	$3.50	Jul. 11, 2023	81,200	81,200	197,500	-
Nov. 9, 2018	250,000	$3.84	Nov. 9, 2023	250,000	250,000	250,000	-
May 21, 2019	270,000	$3.57	May 21, 2024	250,000	250,000	20,000	250,000
Nov. 23, 2020	150,000	$0.87	Nov. 23, 2025	100,000	100,000	150,000	-
Jun. 21, 2021	900,000	$1.05	Jun. 21, 2026	300,000	300,000	900,000	-
Aug. 23, 2021	75,000	$0.78	Aug. 23, 2026	25,000	25,000	75,000	-
Jan. 4, 2022	400,000	$0.86	Jan. 4, 2027	133,333	-	400,000	-
Mar. 21, 2022	2,285,000	$0.79	Mar. 21, 2027	761,667	-	2,135,000	150,000
May 23, 2022	150,000	$0.59	May 23, 2027	50,016	24,996	95,818	54,182
Sep. 26, 2022	5,000	$0.33	Sep. 26, 2027	1,667	-	-	5,000
Nov. 21, 2022	14,000	$0.21	Nov. 21, 2027	4,667	-	-	14,000
May 23, 2023	3,000	$0.39	May 23, 2028	-	-	-	3,000
Jun. 30, 2023	3,456,000	$0.36	Jun. 30, 2028	-	-	-	3,456,000
	8,155,500			1,957,550	1,031,196	4,223,318	3,932,182

The Company recognized a stock option expense of $1.2 million during the twelve months ended December 31, 2023, which was included in G&A expenses. In March 2023, employees with outstanding out-of-the-money options were given the opportunity to have their options cancelled on a voluntary basis. As a result, effective March 29, 2023, 3,606,000 options were cancelled. Effective June 30, 2023, the board of directors approved the regranting of 3,456,000 options.

During the twelve months ended December 31, 2023, 1,856,410 RSUs were issued with a value of $0.7 million.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Executive officer remuneration

Short-term benefits, pension and post-retirement benefits of the Company's executive officers amounted to $6.8 million for the twelve months ended December 31, 2023 compared to $5.6 million for the twelve months ended December 31, 2022. These amounts comprise of executive officers' salary and benefits earned during the year, plus bonuses awarded for the year. These amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the current year of service.

Other

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires the 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 Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal 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 of the Company has been deemed the chief operating decision maker.

Assets and liabilities held for sale

The Company has applied judgement when classifying its Mobile and Network CGU (Galtronics Korea and Galtronics Vietnam, formerly known as Asia Pacific CGU, but excluding Galtronics 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 that 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.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Interest rate risk

With respect to interest rate risk, the interest rate on the Credit Facilities is based on the US Base Rate, which is a variable rate of interest (see "Credit from banks and loans" on page 19 of this MD&A). As such, the US Base Rate is sensitive to fluctuations in market interest rates, which are affected in turn by central bank policies aimed at controlling inflationary pressures within an economy. As interest rates rise, the Company's cost of borrowing will increase, requiring it to fund the additional interest cost from its cash resources. Each 1% increase in the interest rate applicable to the Credit Facilities will result in additional interest cost of approximately $0.2 million annually.

Foreign exchange risk

With respect to foreign exchange risk, the Company has implemented a program to reduce the impact of foreign exchange rate volatility on its net income. The Company utilizes derivative financial instruments in the normal course of its operations as a means to manage its foreign exchange risk. Therefore, the Company may purchase foreign exchange forward contracts to hedge net US dollar cash flows. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company will consider whether to apply hedge accounting on a case-by-case basis and if the instrument is not designated as a hedge, the instrument is adjusted to fair value and marked to market each accounting period, with changes recorded in net income.

During the twelve months ended December 31, 2023, the Company entered into foreign exchange forward contracts to sell US dollars in order to partially mitigate its foreign currency risk. As at December 31, 2023, the Company had forward contracts in place to sell an aggregate US$4.99 million.

Credit risk

A significant portion of the Company's 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 of our major customers would adversely affect the Company's business, results of operations and financial condition. The Company recognized an aggregate of 11% and 7% of revenue, directly and indirectly, from the Company's largest customer including its subcontractors for the twelve months 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.

The Company and its subsidiaries typically extend 30 to 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 Company 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 also assesses expected credit losses based on its judgement of whether customers are able to pay or to pay on time in order to determine whether additional credit losses are expected. The Company mitigates the credit risk by purchasing credit insurance primarily provided by Export Development Canada and Coface.

Liquidity risk

The Company monitors its liquidity risk through the use of quarterly budgets, weekly cash flow projections, and close monitoring of the Company's trade receivables balance, inventory build and payment to suppliers. The objective is to maintain sufficient liquidity in its operating entities through a combination of cash on hand, availability under the revolving credit facilities and generating operating cash flow. The Company also regularly monitors the amounts owing to its Chinese subsidiary by other subsidiaries in order to ensure its compliance with China's State of Administration of Foreign Exchange requirements.

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

OUTSTANDING SHARE DATA

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

- 150,920,818 common shares;
- 68,000 10% Cumulative Redeemable Retractable Series A Preferred Shares;
- 3,928,182 stock options;
- 1,856,410 RSUs; and,
- 2,641,119 DSUs.

Up to 8,425,711 common shares are issuable on exercise or settlement, as applicable, of the stock options, RSUs and DSUs.

The number of common shares issuable under the Omnibus Plan and any other security-based compensation arrangements of the Company may not exceed 12% of the number of common shares outstanding from time to time, being as at the date of this MD&A 18,110,498 common shares. As at the date of this MD&A, 9,684,787 common shares are available to be issued under the Omnibus Plan.

There were also issued and outstanding $5.115 million principal amount of Debentures. The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earlier of: (i) the last business day before the Maturity Date; or, (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of $0.9156 per common share, subject to adjustment in certain events in accordance with the Indenture. If all the Debentures were converted at the current conversion price, it would result in the issuance of 5,586,500 common shares.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

ADDITIONAL INFORMATION

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

RISK FACTORS

For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's Annual Information Form dated March 20, 2024, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.