



**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**For the Three Months Ended March 31, 2024**  
**Dated May 8, 2024**

## **Baylin Technologies Inc.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three Months Ended March 31, 2024**

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 year ended December 31, 2023 (the "Annual Financial Statements") and the unaudited interim condensed consolidated financial statements of Baylin and related notes thereto for the three months ended March 31, 2024 (the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to May 8, 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](http://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](http://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 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) Post business 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;
  - h) M&A expenses; and,
  - i) 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 March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
<b>Profit and Loss</b>				
Revenue	20,053	18,745	1,308	7.0%
Gross profit	7,722	7,618	104	1.4%
Gross margin	38.5%	40.6%	(2.1%)	N/A
<b>Net income (loss) from continuing operations</b>	<b>(1,972)</b>	864	(2,836)	N/A
Net loss from discontinued operations	(786)	(2,030)	1,244	(61.3%)
<b>Net loss</b>	<b>(2,758)</b>	(1,166)	(1,592)	> 100.0%
<b>Basic and diluted net income (loss) per share from continuing operations</b>	<b>(\$0.01)</b>	\$0.02	(\$0.03)	N/A
Basic and diluted net loss per share from discontinued operations	(\$0.01)	(\$0.03)	\$0.02	(66.7%)
<b>Basic and diluted net loss per share</b>	<b>(\$0.02)</b>	(\$0.01)	(\$0.01)	100.0%
<b>EBITDA* from continuing operations</b>	<b>(671)</b>	3,327	(3,998)	N/A
EBITDA* from discontinued operations	281	(1,006)	1,287	N/A
<b>EBITDA*</b>	<b>(390)</b>	2,321	(2,711)	N/A
<b>Adjusted EBITDA* from continuing operations</b>	<b>460</b>	1,585	(1,125)	(71.0%)
Adjusted EBITDA* from discontinued operations	(43)	(708)	665	(93.9%)
<b>Adjusted EBITDA*</b>	<b>417</b>	877	(460)	(52.5%)

	As at		Change	Change	As at		Change	Change
	March 31, 2024	March 31, 2023			March 31, 2024	December 31, 2023		
	\$	\$	\$	%	\$	\$	\$	%
<b>Balance Sheet and Other**</b>								
<b>Current assets - Continuing operations</b>	<b>38,335</b>	49,730	N/A	N/A	<b>38,335</b>	35,346	2,989	8.5%
Current assets - Assets held for sale	9,576	402	N/A	N/A	9,576	7,885	1,691	21.4%
Total current assets	47,911	50,132	N/A	N/A	47,911	43,231	4,680	10.8%
<b>Total assets</b>	<b>63,978</b>	72,702	(8,724)	(12.0%)	<b>63,978</b>	59,710	4,268	7.1%
<b>Current liabilities - Continuing operations</b>	<b>43,291</b>	66,197	N/A	N/A	<b>43,291</b>	38,941	4,350	11.2%
Current liabilities - Liabilities related to assets held for sale	10,628	-	N/A	N/A	10,628	8,854	1,774	20.0%
Total current liabilities	53,919	66,197	N/A	N/A	53,919	47,795	6,124	12.8%
<b>Total liabilities</b>	<b>65,943</b>	75,854	(9,911)	(13.1%)	<b>65,943</b>	59,746	6,197	10.4%
<b>Net debt* from continuing operations</b>	<b>15,689</b>	23,219	(7,530)	(32.4%)	<b>15,689</b>	12,787	2,902	22.7%
<b>Backlog* from continuing operations</b>	<b>30,336</b>	33,942	(3,606)	(10.6%)	<b>30,336</b>	31,156	(820)	(2.6%)

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

\*\* Balance Sheet as at March 31, 2024 and 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 March 31, 2023 does not reflect such reclassification, which makes the comparison against the current quarter-end results not applicable (except for "Total assets" and "Total liabilities").

## FIRST QUARTER SUMMARY

### Continuing Operations

- Revenue of \$20.1 million in the first quarter of 2024, an increase of \$1.3 million or 7.0% compared to the first quarter of 2023. This also represents an increase of \$3.9 million or 23.8% compared to the fourth quarter of 2023. The increase was primarily due to sales volume increase in the Embedded Antenna business line. Revenue in the first quarter of 2024 for both Embedded Antenna and Wireless Infrastructure was significantly higher than in the fourth quarter of 2023. Revenue in the Satcom business line was largely consistent with the same prior year period.
- Gross profit of \$7.7 million in the first quarter of 2024, an increase of \$0.1 million compared to the first quarter of 2023. Gross margin (see “Non-IFRS Measures” on page 3 of this MD&A) of 38.5% in the first quarter of 2024 compared to 40.6% in the first quarter of 2023 and compared to 35.2% in the fourth quarter of 2023. Compared to the same prior year period, the lower gross margin in the first quarter of 2024 was primarily due to product mix. Wireless Infrastructure revenue as a percentage of total revenue was higher in the first quarter of 2023 and most of its products generate higher gross margins than the other product lines.
- Adjusted EBITDA (see “Non-IFRS Measures” on page 3 of this MD&A) of \$0.5 million in the first quarter of 2024, a decrease of \$1.1 million compared to the first quarter of 2023. This also represents an increase of \$2.6 million compared to the fourth quarter of 2023. Compared to the same prior year period, the decrease in Adjusted EBITDA in the first quarter of 2024 was due to combination of operating expenses, lower relative margins, along with not having the benefit of specific one-time government incentives. Operating expenses in the first quarter of 2023 were lower due to the recognition of the US Employee Retention Tax Credit in the amount of \$0.8 million, of which \$0.7 million was recorded as a reduction of operating expenses (see “Government Assistance Programs” on page 11 of this MD&A).
- Net loss of \$2.0 million in the first quarter of 2024 compared to a net income of \$0.9 million in the first quarter of 2023. This also represents an increase of \$4.9 million compared to a net loss of \$6.9 million in the fourth quarter of 2023. The net loss in the first quarter of 2024 was primarily due to an operating loss of \$1.4 million as well as interest and other finance expenses. The positive net income in the first quarter of 2023 was mainly due to a gain on lease termination and sale of non-current assets in the amount of \$2.7 million as a result of completing the transfer of the MMU facility lease in Vietnam. On a per share basis, a net loss of \$0.01 per share in the first quarter of 2024 compared to a net income of \$0.02 per share in the first quarter of 2023.
- Net debt (see “Non-IFRS Measures” on page 3 of this MD&A) of \$15.7 million at March 31, 2024, an increase of \$2.9 million from December 31, 2023, mainly due to an increase in working capital investment (see “Non-IFRS Measures” on page 3 of this MD&A) as a result of increasing sales and order backlog during the three months ended March 31, 2024.
- Backlog (see “Non-IFRS Measures” on page 3 of this MD&A) of \$30.3 million at March 31, 2024 compared to \$31.2 million at March 31, 2023. The decrease was mainly due to a lower level of backlog in the Satcom business line, partially offset by an increase in backlog in the Wireless Infrastructure business line as a result of new global opportunities from expansion into new markets. Backlog increased to \$33.2 million at April 29, 2024 as a result of an increase in new order intake across all business lines at the start of the second quarter of 2024.

### Discontinued Operations

- Adjusted EBITDA from discontinued operations of close to \$nil in the first quarter of 2024, an increase of \$0.7 million compared to the first quarter of 2023. The increase in Adjusted EBITDA from discontinued operations was mainly due to an increase in gross profit as a result of improved product mix in the M&N business line compared to the prior year period.
- Net loss from discontinued operations of \$0.8 million in the first quarter of 2024 compared to a net loss of \$2.0 million from discontinued operations in the first quarter of 2023. The net loss from discontinued operations in the first quarter of 2024 was mainly due to an operating loss of \$0.2 million as well as other finance expenses in the M&N business line. On a per share basis, a net loss of \$0.01 per share in the first quarter of 2024 compared to a net loss of \$0.03 per share in the first quarter of 2023.

## RECENT DEVELOPMENTS

### *Products*

In April 2024, the Company announced that its subsidiary, Advantech Wireless Technologies Inc., had received an award from Artemis - NASA's Lunar Exploration and Colonization Initiative to supply high-power solid state power amplifier ("SSPA") ground station systems to support the Artemis program. Artemis is a multi-phased program to explore the moon, with the goal of establishing the first long-term presence on the moon. Advantech's SSPAs are designed to operate between the earth and moon over cislunar frequencies and are specifically engineered to fit in the interior of large-aperture, full motion antennas as part of NASA's drive to segregate their near space operations (between the earth's surface and two kilometres away) from their deep space operations.

The Company also announced that its subsidiary, Galtronics USA, Inc., had completed a two-month retrofit of Salt Lake City International Airport with its leading high-capacity panel antennas. The airport services over 25 million travellers a year making its significant capacity and throughput requirements a challenge. The antennas deal with this challenge by offering antennas with optimized radiation patterns with optimum range coverage and low interference.

Galtronics was also selected to supply Distributed Antenna System (DAS) antennas for an upgrade to improve coverage and capacity inside London's Heathrow Airport. This represents the Company's first non-North American airport award.

### *Intellectual Property Infringement Claim*

Advantech Wireless Technologies Inc. has recently brought an application in Superior Court in Montreal, Quebec for the issuance of an injunction and damages against 12209454 Canada Inc. (cob as Nextt Microwave), a company controlled by Mr. Frank Panarello, a former employee of Alga Microwave Inc. ("Alga", a predecessor of Advantech), and against Mr. Michael Perelshtein, also a former employee of Alga. The application alleges infringement of Advantech's intellectual property through the use of Advantech's drawings of certain of its proprietary products, which the defendants used to sell transceivers identical to those of Advantech.

## OUTLOOK

A number of the Company's financial measures from continuing operations in the first quarter of 2024 improved sequentially, quarter over quarter, compared to the fourth quarter of 2023. Revenue increased by 24% (\$20.1 million compared to \$16.1 million) and gross profit increased by 36% (\$7.7 million compared to \$5.7 million). Gross margin improved by 3.3 percentage points (38.5% compared to 35.2%). This led to a return to positive Adjusted EBITDA of \$0.5 million in the first quarter of 2024. The Embedded Antenna and Wireless Infrastructure business lines were particularly strong, rebounding in the first quarter of 2024 from lower sales volumes in the fourth quarter of 2023. Despite a moderate decrease in revenue, due to a particularly strong sales effort in the fourth quarter of 2023, Satcom achieved higher gross profit and gross margin, a testament to improving product mix and production efficiencies. We expect the second quarter performance of our continuing operations to be similarly strong. Although our business continues to be negatively affected by the M&N business line, its first quarter results were also an improvement over the previous quarter.

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 remain an issue for our business, which, in the short-term could continue to affect our volume of orders and revenue, as well as causing pushouts of orders from customers. Nevertheless, we expect the recent improvements across our operating business lines to continue in the second quarter of 2024.

The Company is continuing its efforts to replace its revolving credit facility with an asset-based loan, the structure of which would be more conducive to an operating business such as ours. With a recapitalized balance sheet as a result of the term loan being fully repaid from net proceeds of the rights offering and private placement of preferred shares, annual debt service costs are materially lower, which would allow the Company to re-invest any excess cashflow in the business.

### *Embedded Antenna Business Line*

The Embedded Antenna business line had a very strong first quarter of 2024, following unfavourable macroeconomic conditions in 2023, particularly in the fourth quarter, which resulted in materially lower sales volumes, a result that was reflected industrywide. These conditions are not likely to reoccur in 2024 and we expect to see a recovery in demand for embedded products, including as service providers shift from Wi-Fi 6 to Wi-Fi 7. Although we are unlikely to see the same

relative improvement in performance in the second quarter of 2024, we expect the Embedded Antenna business line will continue to perform better in 2024 than in 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***

The Wireless Infrastructure business line also had a very strong first quarter of 2024 compared to the fourth quarter of 2023, building on the sales success of its higher margin multibeam and innovative small cell antennas as well as the strong pace of stadium and airport 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 also expect to see increased spending by carriers on small cells in 2024, which will drive further sales volumes for the business. Based on our current assessment, we expect the Wireless Infrastructure business line to show improved performance in 2024 over 2023.

### ***Satcom Business Line***

The Satcom business line continues to see consistent demand for its products, supported by strong capital spending by its 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 are seeing softness in the commercial lower power market, but given our focus on higher power opportunities, we expect the business to continue to demonstrate resiliency in 2024. Our Genesis and Summit lines of solid-state power amplifiers are generating sales from clients due to the improvements in performance, monitoring, and failover they provide over our older technology and products of our competitors. Importantly, these new amplifiers are consistent in architecture, meaning they will allow the business to simplify supply chain requirements 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 defense 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 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, particularly on the revenue side. Although its principal customer had a strong first quarter in its smartphone business, after suffering a contraction in 2023, it was led by a particular model for which M&N is not an antenna supplier. In addition, M&N was unable to benefit from another project for its customer due to quality control issues related to another supplier to the project.

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.

In the meantime, the Company is continuing its efforts to sell the business.



## DISCUSSION OF CONTINUING OPERATIONS

### Revenue and Gross Profit

(in \$000's)

	Three Months Ended March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
<b>Revenue</b>	<b>20,053</b>	<b>18,745</b>	<b>1,308</b>	<b>7.0%</b>
Cost of sales	12,331	11,127	1,204	10.8%
<b>Gross profit</b>	<b>7,722</b>	<b>7,618</b>	<b>104</b>	<b>1.4%</b>
Gross margin	38.5%	40.6%		

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) *First Quarter of 2024 compared to First Quarter of 2023*

The Company's revenue was \$20.1 million in the first quarter of 2024 compared to \$18.7 million in the first quarter of 2023, representing an increase of \$1.3 million or 7.0%. The increase was primarily due to sales volume increase in the Embedded Antenna business line, offset partially by lower revenue in the Wireless Infrastructure business line. Revenue in the Satcom business line was largely consistent with the prior year period.

The Company's gross profit was \$7.7 million in the first quarter of 2024, an increase of \$0.1 million compared to the first quarter of 2023. Gross margin was 38.5% in the first quarter of 2024 compared to 40.6% in the first quarter of 2023. The lower gross margin in the first quarter of 2024 mainly resulted from less favourable product mix compared to the prior year period. Wireless Infrastructure revenue as a percentage of total revenue was higher in the first quarter of 2023 and most of its products generate higher gross margins than the other product lines.

### Selling and Marketing Expenses

(in \$000's)

	Three Months Ended March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
Payroll	1,052	1,059	(7)	(0.7%)
Other	772	428	344	80.4%
<b>Total</b>	<b>1,824</b>	<b>1,487</b>	<b>337</b>	<b>22.7%</b>
As a percentage of revenue	9.1%	7.9%		

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) *First Quarter of 2024 compared to First Quarter of 2023*

The Company's selling and marketing expenses in the first quarter of 2024 were \$1.8 million (9.1% of revenue) compared to \$1.5 million (7.9% of revenue) in the first quarter of 2023. The lower selling and marketing expenses in the first quarter of 2023 was primarily due to the recognition of the US Employee Retention Tax Credit (see "Government Assistance Programs" on page 11 of this MD&A).

**Research and Development Expenses**

(in \$000's)

	Three Months Ended March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
Research and development costs	2,864	2,193	671	30.6%
Depreciation	100	104	(4)	(3.8%)
<b>Total</b>	<b>2,964</b>	<b>2,297</b>	<b>667</b>	<b>29.0%</b>
As a percentage of revenue	14.8%	12.3%		

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) *First Quarter of 2024 compared to First Quarter of 2023*

The Company's R&D expenses in the first quarter of 2024 were \$3.0 million (14.8% of revenue) compared to \$2.3 million (12.3% of revenue) in the first quarter of 2023. The increase was mainly due to higher engineering expenses for the development of new antenna products in the first quarter of 2024. The lower R&D expenses in the first quarter of 2023 was partially due to the recognition of the US Employee Retention Tax Credit.

**General and Administrative Expenses**

(in \$000's)

	Three Months Ended March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
Payroll	1,635	1,776	(141)	(7.9%)
Other	2,361	1,983	378	19.1%
Depreciation	222	115	107	93.0%
Amortization	80	626	(546)	(87.2%)
<b>Total</b>	<b>4,298</b>	<b>4,500</b>	<b>(202)</b>	<b>(4.5%)</b>
As a percentage of revenue	21.4%	24.0%		

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) *First Quarter of 2024 compared to First Quarter of 2023*

The Company's G&A expenses in the first quarter of 2024 were \$4.3 million (21.4% of revenue) compared to \$4.5 million (24.0% of revenue) in the first quarter of 2023. The decrease in G&A expenses was mainly due to lower amortization expenses in the first quarter of 2024 which resulted from the full amortization of customer relations intangible assets as at the end of the first quarter of 2023. The decrease in G&A expenses was partially offset by an increase in other expenses which was primarily due to higher severance and legal expenses incurred in the first quarter of 2024.

**Government Assistance Programs**

(in \$000's)

		<b>Three Months Ended March 31,</b>			
		<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>Change</b>
		\$	\$	\$	%
Employee Retention Tax Credit Program	USA	-	850	(850)	(100.0%)
<b>Total</b>		<b>-</b>	<b>850</b>	<b>(850)</b>	<b>(100.0%)</b>

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

The Company did not recognize any government assistance related to the US Employee Retention Tax Credit Program in the first quarter of 2024 while recognized \$0.8 million in the first quarter of 2023, which was recorded as a reduction of cost of sales and operating expenses in the amount of \$0.1 million and \$0.7 million, respectively. The cash benefit of this tax credit is expected to be realized in 2024.

**EBITDA and Adjusted EBITDA**

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

**Reconciliation to Operating Income (Loss)**

(in \$000's)

		<b>Three Months Ended March 31,</b>			
		<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>Change</b>
		\$	\$	\$	%
<b>Operating income (loss)</b>		<b>(1,364)</b>	<b>2,045</b>	<b>(3,409)</b>	N/A
Depreciation and amortization		693	1,282	(589)	(45.9%)
<b>EBITDA</b>		<b>(671)</b>	<b>3,327</b>	<b>(3,998)</b>	N/A
Adjustments to EBITDA		1,131	(1,742)	2,873	N/A
<b>Adjusted EBITDA</b>		<b>460</b>	<b>1,585</b>	<b>(1,125)</b>	<b>(71.0%)</b>

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

## Adjustments to EBITDA

(in \$000's)

	Three Months Ended March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
Expenses for litigation relating to acquisition agreements	139	61	78	> 100.0%
Expenses relating to planned restructuring following an acquisition	-	15	(15)	(100.0%)
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	207	(2,740)	2,947	N/A
Corporate re-organization expenses	-	7	(7)	(100.0%)
M&A expenses	81	-	81	N/A
Non-cash compensation	704	915	(211)	(23.1%)
<b>Total</b>	<b>1,131</b>	<b>(1,742)</b>	<b>2,873</b>	<b>N/A</b>

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

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

The Company's operating income (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) *First Quarter of 2024 compared to First Quarter of 2023*

The Company's operating loss in the first quarter of 2024 was \$1.4 million compared to an operating income of \$2.0 million in the first quarter of 2023. The operating income in the first quarter of 2023 was primarily due to a gain on lease termination and sale of non-current assets in the amount of \$2.7 million as a result of completing the transfer of the MMU facility lease in Vietnam.

The Company's Adjusted EBITDA in the first quarter of 2024 was \$0.5 million compared to \$1.6 million in the first quarter of 2023. Adjustments to EBITDA amounting to \$1.1 million in the first quarter of 2024 are detailed in the chart above.

## *Net Income (Loss)*

(in \$000's except per share amounts)

	Three Months Ended March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
Income (loss) before income taxes	(1,908)	827	(2,735)	N/A
Income tax expense (recovery)	64	(37)	101	N/A
<b>Net income (loss)</b>	<b>(1,972)</b>	<b>864</b>	<b>(2,836)</b>	<b>N/A</b>
Basic and diluted net income (loss) per share	(\$0.01)	\$0.02	(\$0.03)	N/A

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

a) *Factors affecting Net Income (Loss)*

The Company's net income (loss) is impacted by the factors noted for operating income (loss) and EBITDA.

b) *First Quarter of 2024 compared to First Quarter of 2023*

The Company's net loss in the first quarter of 2024 was \$2.0 million compared to a net income of \$0.9 million in the first quarter of 2023. The net loss in the first quarter of 2024 was primarily due to the operating loss of \$1.4 million. On a per share basis, the first quarter of 2024 produced a net loss of \$0.01 per share compared to a net income of \$0.02 per share in the first quarter of 2023.

## SUMMARY OF QUARTERLY RESULTS

(in \$000's except per share amounts)

	2024		2023			2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Profit and Loss</b>								
Revenue	20,053	16,129	16,860	21,307	18,745	20,354	20,239	19,564
Gross profit	7,722	5,682	6,607	8,491	7,618	6,961	7,079	8,195
Gross margin	38.5%	35.2%	39.2%	39.9%	40.6%	34.2%	35.0%	41.9%
<b>Net income (loss) from continuing operations</b>	<b>(1,972)</b>	<b>(6,944)</b>	<b>(2,351)</b>	214	864	<b>(4,449)</b>	<b>(2,909)</b>	<b>(2,575)</b>
Net loss from discontinued operations	<b>(786)</b>	<b>(1,135)</b>	<b>(1,013)</b>	<b>(1,457)</b>	<b>(2,030)</b>	<b>(186)</b>	<b>(1,952)</b>	<b>(1,733)</b>
<b>Net loss</b>	<b>(2,758)</b>	<b>(8,079)</b>	<b>(3,364)</b>	<b>(1,243)</b>	<b>(1,166)</b>	<b>(4,635)</b>	<b>(4,861)</b>	<b>(4,308)</b>
<b>Basic and diluted net income (loss) per share from continuing operations</b>	<b>(\$0.01)</b>	<b>(\$0.07)</b>	<b>(\$0.03)</b>	\$0.00	\$0.02	<b>(\$0.06)</b>	<b>(\$0.04)</b>	<b>(\$0.03)</b>
Basic and diluted net loss per share from discontinued operations	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.02)</b>	<b>(\$0.03)</b>	<b>(\$0.00)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>
<b>Basic and diluted net loss per share</b>	<b>(\$0.02)</b>	<b>(\$0.08)</b>	<b>(\$0.04)</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.06)</b>	<b>(\$0.06)</b>	<b>(\$0.05)</b>
<b>EBITDA* from continuing operations</b>	<b>(671)</b>	<b>(4,547)</b>	<b>(1,434)</b>	1,094	3,327	<b>(246)</b>	<b>(636)</b>	<b>(435)</b>
EBITDA* from discontinued operations	<b>281</b>	<b>(976)</b>	<b>(10)</b>	<b>(684)</b>	<b>(1,006)</b>	<b>(258)</b>	<b>(43)</b>	<b>(111)</b>
<b>EBITDA*</b>	<b>(390)</b>	<b>(5,523)</b>	<b>(1,444)</b>	410	2,321	<b>(504)</b>	<b>(679)</b>	<b>(546)</b>
<b>Adjusted EBITDA* from continuing operations</b>	<b>460</b>	<b>(2,047)</b>	<b>(779)</b>	1,050	1,585	585	135	434
Adjusted EBITDA* from discontinued operations	<b>(43)</b>	<b>(650)</b>	<b>(10)</b>	<b>(968)</b>	<b>(708)</b>	21	<b>(43)</b>	<b>(111)</b>
<b>Adjusted EBITDA*</b>	<b>417</b>	<b>(2,697)</b>	<b>(789)</b>	82	877	606	92	323
<b>Balance Sheet and Other**</b>								
<b>Current assets - Continuing operations</b>	<b>38,335</b>	35,346	48,695	49,267	49,730	49,901	53,833	52,748
Current assets - Assets held for sale	<b>9,576</b>	7,885	-	400	402	552	911	1,596
Total current assets	<b>47,911</b>	43,231	48,695	49,667	50,132	50,453	54,744	54,344
<b>Total assets</b>	<b>63,978</b>	59,710	68,959	70,643	72,702	74,384	80,811	81,751
<b>Current liabilities - Continuing operations</b>	<b>43,291</b>	38,941	64,976	63,522	66,197	60,901	62,857	59,395
Current liabilities - Liabilities related to assets held for sale	<b>10,628</b>	8,854	-	-	-	-	-	-
Total current liabilities	<b>53,919</b>	47,795	64,976	63,522	66,197	60,901	62,857	59,395
<b>Total liabilities</b>	<b>65,943</b>	59,746	73,850	72,940	75,854	77,644	80,162	76,900
<b>Net debt* from continuing operations</b>	<b>15,689</b>	12,787	26,935	23,725	23,219	23,066	23,051	22,684
<b>Backlog* from continuing operations</b>	<b>30,336</b>	31,156	30,659	32,275	33,942	35,200	33,796	34,584

\* 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 first quarter of 2024 and 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 six 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").

## CASH FLOWS

(in \$000's)

	Three Months Ended March 31,			
	2024	2023	Change	Change
	\$	\$	\$	%
Cash flows (used in) generated from:				
Operating activities	(1,978)	(4,593)	2,615	(56.9%)
Investing activities	(61)	(71)	10	(14.1%)
Financing activities	304	695	(391)	(56.3%)
<b>Net cash outflows from continuing operations</b>	<b>(1,735)</b>	<b>(3,969)</b>	<b>2,234</b>	<b>(56.3%)</b>
Net cash inflows (outflows) from discontinued operations	(703)	4,869	(5,572)	N/A
Effect of foreign exchange differences	347	(12)	359	N/A
<b>Net cash inflows (outflows)</b>	<b>(2,091)</b>	<b>888</b>	<b>(2,979)</b>	<b>N/A</b>
Cash and cash equivalents at the beginning of period	4,903	7,379	(2,476)	(33.6%)
Cash and cash equivalents at the end of period	2,812	8,267	(5,455)	(66.0%)

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

### Operating Activities

Cash used in operating activities was \$2.0 million during the three months ended March 31, 2024, a decrease of \$2.6 million compared to \$4.6 million during the three months ended March 31, 2023. The decrease of cash used in operating activities in the three months ended March 31, 2024 was mainly due to a decrease of changes in working capital activities and a decrease in cash paid for debt interest compared to the prior year period.

### Investing Activities

Cash used in investing activities was \$0.1 million during the three months ended March 31, 2024 compared to \$0.1 million during the three months ended March 31, 2023. Cash used in investing activities in the three months ended March 31, 2024 remained largely consistent with the prior year period.

### Financing Activities

Cash generated from financing activities was \$0.3 million during the three months ended March 31, 2024, a decrease of \$0.4 million compared to \$0.7 million during the three months ended March 31, 2023. The decrease of cash generated from financing activities in the three months ended March 31, 2024 was primarily due to a decrease in borrowing from the Company's revolving credit facility compared to the prior year period.

## 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		Change	Change
	March 31, 2024	December 31, 2023		
	\$	\$	\$	%
Total Debt	18,501	17,690	811	4.6%
Less: Cash and cash equivalents	2,812	4,903	(2,091)	(42.6%)
<b>Net Debt</b>	<b>15,689</b>	<b>12,787</b>	<b>2,902</b>	<b>22.7%</b>

The Company had net debt at March 31, 2024 and December 31, 2023 of \$15.7 million and \$12.8 million, respectively. The increase in net debt was primarily due to an increase in non-cash working capital investment as a result of stronger sales and demand during the three months ended March 31, 2024.

### *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 15 of this MD&A).

### *Working capital requirements*

Working capital requirements are mainly for materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements could increase due to increased revenue, customer payment delays, increased inventory levels to meet additional demand, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at March 31, 2024, the Company's CCC was 71 days compared to 92 days as at December 31, 2023. The decrease was mainly attributable to shorter days inventory outstanding in the Satcom business line during the three months ended March 31, 2024.

During the three months ended March 31, 2024, working capital increased by \$1.6 million. The increase primarily resulted from the following factors:

- a) Increase in trade receivables of \$6.3 million, mainly due to stronger sales in the Embedded Antenna and Wireless Infrastructure business lines in the latter part of the first quarter of 2024;

offset partially by:

- b) Decrease in inventories of \$1.4 million, primarily due to faster turnover of Satcom inventories in the first quarter of 2024;
- c) Increase in trade payables and other current liabilities of \$3.4 million, mainly due to increase in production volume in the Embedded Antenna and Wireless Infrastructure business lines as a result of stronger sales and demand in the latter part of the first quarter of 2024.

### *Commitment for capital expenditures*

As at March 31, 2024, 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 \$28.5 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 March 31, 2024, the Company's aggregate revolving credit facilities were \$21.0 million, of which \$18.5 million was drawn and utilized. As at March 31, 2024, \$12.9 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 a rights offering and a private placement of preferred shares in December 2023.

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 March 31, 2024 (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 per common share.

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](http://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 ESOP, 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 common shares of Baylin. The DSUs and common shares are issued on a periodic basis while the director serves as a board member and vest immediately. The DSUs are settled after the member ceases to be a director.

The following table lists the number of DSUs outstanding as at March 31, 2024 and March 31, 2023:

	<u>Number of DSUs</u>	<u>Weighted Average Price</u>
DSUs outstanding as at January 1, 2024	2,451,727	\$0.77
DSUs granted during 2024 up to March 31, 2024	1,980,557	\$0.25
DSUs outstanding as at March 31, 2024	<u>4,432,284</u>	<u>\$0.54</u>
	<u>Number of DSUs</u>	<u>Weighted Average Price</u>
DSUs outstanding as at January 1, 2023	1,537,514	\$1.04
DSUs granted during 2023 up to March 31, 2023	158,172	\$0.44
DSUs outstanding as at March 31, 2023	<u>1,695,686</u>	<u>\$0.99</u>

The Company recognized a DSU expense of \$0.5 million during the three months ended March 31, 2024, 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 five years after the grant date.

The table below summarizes stock option grants as at March 31, 2024:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at		Options exercised, surrendered, expired or cancelled as at	Options net outstanding as at
				March 31, 2024	December 31, 2023	March 31, 2024	March 31, 2024
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	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	133,333	400,000	-
Mar. 21, 2022	2,285,000	\$0.79	Mar. 21, 2027	103,333	761,667	2,135,000	150,000
May 23, 2022	150,000	\$0.59	May 23, 2027	41,681	50,016	95,818	54,182
Sep. 26, 2022	5,000	\$0.33	Sep. 26, 2027	1,667	1,667	-	5,000
Nov. 21, 2022	14,000	\$0.21	Nov. 21, 2027	3,333	4,667	4,000	10,000
May 23, 2023	3,000	\$0.39	May 23, 2028	-	-	-	3,000
Jun. 30, 2023	3,456,000	\$0.36	Jun. 30, 2028	-	-	75,000	3,381,000
Mar. 31, 2024	4,950,000	\$0.25	Mar. 31, 2029	-	-	-	4,950,000
	<u>13,105,500</u>			<u>1,189,547</u>	<u>1,957,550</u>	<u>4,302,318</u>	<u>8,803,182</u>

The Company recognized a stock option expense of \$0.2 million during the three months ended March 31, 2024, 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 second quarter of 2023, 1,856,410 RSUs were issued with a value of \$0.7 million.

## **TRANSACTIONS WITH RELATED PARTIES**

### *Executive officer remuneration*

Salary, short-term benefits, pension and post-retirement benefits of the Company's executive officers amounted to \$1.4 million for the three months ended March 31, 2024 compared to \$1.3 million for the three months ended March 31, 2023. 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. Mr. Royer has waived the payment of this fee for 2024.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

For a detailed review of critical accounting estimates associated with the Company, refer to the “Significant Accounting Judgments, Estimates And Assumptions” section of the Company’s MD&A for the three and twelve months ended December 31, 2023, which is available under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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

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 15 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.

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 three months ended March 31, 2024, the Company has been implementing foreign exchange forward contracts to sell US dollars in order to partially mitigate its foreign currency risk. As at March 31, 2024, the Company had forward contracts in place to sell an aggregate US\$6.49 million.

For further review of the other financial risks associated with the Company, refer to the “Risk Management and Financial Instruments” section of the Company’s MD&A for the three and twelve months ended December 31, 2023, which is available under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Except as set forth in this MD&A and the notes to our unaudited interim condensed consolidated financial statements, there were no additional risks identified during the three months ended March 31, 2024, and there were no changes to our use of financial instruments during the three months ended March 31, 2024.

## **OUTSTANDING SHARE DATA**

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

- 151,014,811 common shares;
- 68,000 10% Cumulative Redeemable Retractable Series A Preferred Shares;
- 8,803,182 stock options;
- 1,856,410 RSUs; and,
- 4,522,026 DSUs.

Up to 15,181,618 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 18,121,777 common shares. As at the date of this MD&A, 2,940,159 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 three months ended March 31, 2024 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](http://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](http://www.sedarplus.ca).