BAYLIN TECHNOLOGIES

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Six Months Ended June 30, 2024

Dated August 7, 2024

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three and Six Months Ended June 30, 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 and six months ended June 30, 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 August 7, 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 statement.

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 and other supplementary financial 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 is the amount of time it takes for the Company to convert its investment in working capital into cash in the most recently completed quarter, calculated as follows:
   1) days sales outstanding, which is the number of days, on average, it takes to turn trade receivables into cash, plus:
   2) days inventory outstanding, which is the number of days, on average, to convert inventory into finished goods and ultimately into sales, less:
   3) days payables outstanding, which is the number of days, on average, to repay trade payables;

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.

<u>Galtronics</u>

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.

<u>Satcom</u>

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 June 30,				Six Months Ended June 30,			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Profit and Loss								
Revenue	**22,035**	21,307	728	3.4%	**42,088**	40,052	2,036	5.1%
Gross profit	**9,238**	8,492	746	8.8%	**16,960**	16,110	850	5.3%
Gross margin	**41.9%**	39.9%	2.0%	N/A	**40.3%**	40.2%	0.1%	N/A
Net income (loss) from continuing operations	**(132)**	218	(350)	N/A	**(2,104)**	1,082	(3,186)	N/A
Net loss from discontinued operations	**(1,457)**	(1,461)	4	(0.3%)	**(2,243)**	(3,491)	1,248	(35.7%)
Net loss	**(1,589)**	(1,243)	(346)	27.8%	**(4,347)**	(2,409)	(1,938)	80.4%
Basic and diluted net income (loss) per share from continuing operations	**($0.00)**	$0.00	($0.00)	N/A	**($0.02)**	$0.02	($0.04)	N/A
Basic and diluted net loss per share from discontinued operations	**($0.01)**	($0.02)	$0.01	(50.0%)	**($0.01)**	($0.05)	$0.04	(80.0%)
Basic and diluted net loss per share	**($0.01)**	($0.02)	$0.01	(50.0%)	**($0.03)**	($0.03)	$0.00	0.0%
EBITDA* from continuing operations	**1,514**	1,094	420	38.4%	**843**	4,421	(3,578)	(80.9%)
EBITDA* from discontinued operations	**(580)**	(684)	104	(15.2%)	**(299)**	(1,690)	1,391	(82.3%)
EBITDA*	**934**	410	524	> 100.0%	**544**	2,731	(2,187)	(80.1%)
Adjusted EBITDA* from continuing operations	**2,273**	1,050	1,223	> 100.0%	**2,733**	2,635	98	3.7%
Adjusted EBITDA* from discontinued operations	**(580)**	(968)	388	(40.1%)	**(623)**	(1,676)	1,053	(62.8%)
Adjusted EBITDA*	**1,693**	82	1,611	> 100.0%	**2,110**	959	1,151	> 100.0%

	As at June 30, 2024	**As at June 30, 2023**	**Change**	**Change**	**As at June 30, 2024**	**As at December 31, 2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Balance Sheet and Other*								
Current assets - Continuing operations	**37,044**	49,267	N/A	N/A	**37,044**	35,346	1,698	4.8%
Current assets - Assets held for sale	**8,581**	400	N/A	N/A	**8,581**	7,885	696	8.8%
Total current assets	**45,625**	49,667	N/A	N/A	**45,625**	43,231	2,394	5.5%
Total assets	**60,993**	70,643	(9,650)	(13.7%)	**60,993**	59,710	1,283	2.1%
Current liabilities - Continuing operations	**41,296**	63,522	N/A	N/A	**41,296**	38,955	2,341	6.0%
Current liabilities - Liabilities related to assets held for sale	**10,547**	-	N/A	N/A	**10,547**	8,854	1,693	19.1%
Total current liabilities	**51,843**	63,522	N/A	N/A	**51,843**	47,809	4,034	8.4%
Total liabilities	**64,728**	72,940	(8,212)	(11.3%)	**64,728**	59,746	4,982	8.3%
Net debt* from continuing operations	**16,641**	23,725	(7,084)	(29.9%)	**16,641**	12,787	3,854	30.1%
Backlog* from continuing operations	**32,603**	32,275	328	1.0%	**32,603**	31,156	1,447	4.6%

** EBITDA, Adjusted EBITDA, Net debt and Backlog are non-IFRS or supplementary financial 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 June 30, 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 June 30, 2023 does not reflect such reclassification, which makes the comparison against current quarter-end results not applicable (except for "Total assets" and "Total liabilities").*

SECOND QUARTER SUMMARY

Continuing Operations

- Revenue of $22.0 million in the second quarter of 2024, an increase of $0.7 million or 3.4% compared to the second quarter of 2023. This also represents an increase of $1.9 million or 9.9% compared to the first quarter of 2024. Compared to the same prior year period, the increase in revenue was primarily due to sales volume increase in the Wireless Infrastructure business line.

- Gross profit of $9.2 million in the second quarter of 2024, an increase of $0.7 million or 8.8% compared to the second quarter of 2023. This also represents an increase of $1.5 million or 19.6% compared to the first quarter of 2024. Gross margin (see “Non-IFRS Measures” on page 3 of this MD&A) of 41.9% in the second quarter of 2024 compared to 39.9% in the second quarter of 2023 and compared to 38.5% in the first quarter of 2024. Compared to the same prior year period, the higher gross margin in the second quarter of 2024 was primarily due to improved product mix. Wireless Infrastructure revenue as a percentage of total revenue was higher in the second quarter of 2024 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 $2.3 million in the second quarter of 2024, an increase of $1.2 million or 116% compared to the second quarter of 2023. This also represents an increase of $1.8 million or 394% compared to the first quarter of 2024. Compared to the same prior year period, the increase in Adjusted EBITDA in the second quarter of 2024 was mainly due to combination of higher revenue, higher gross margins and lower operating expenses. The second quarter of 2023 had the benefit of specific one-time government incentives which were recorded as an offset to operating expenses in that quarter (see “Government Assistance Programs” on page 11 of this MD&A).

- Net loss of $0.1 million in the second quarter of 2024 compared to a net income of $0.2 million in the second quarter of 2023. This also represents an increase of $1.9 million compared to a net loss of $2.0 million in the first quarter of 2024. The net loss in the second quarter of 2024 was primarily the net result of an operating income of $0.8 million offset by interest and other finance expenses as well as income tax expenses. The net income in the second quarter of 2023 was due partially to a gain on lease termination and sale of non-current assets in Vietnam as well as a favourable adjustment based on the fair market value of the Company’s convertible debentures. On a per share basis, a net loss of $nil per share in the second quarter of 2024 compared to a net income of $nil per share in the second quarter of 2023.

- Net debt (see “Non-IFRS Measures” on page 3 of this MD&A) of $16.6 million at June 30, 2024, an increase of $3.9 million from December 31, 2023, primarily 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 six months ended June 30, 2024.

- Backlog (see “Non-IFRS Measures” on page 3 of this MD&A) of $32.6 million at June 30, 2024 compared to $31.2 million at December 31, 2023. The increase was mainly due to a higher level of backlog in the Wireless Infrastructure business line as a result of an increase in demand from wireless carriers and third-party operators. Backlog further increased to $33.1 million at July 29, 2024 as a result of an increase in new order intake across all business lines at the start of the third quarter of 2024.

Discontinued Operations (representing the Mobile and Network business line)

- Adjusted EBITDA from discontinued operations of -$0.6 million in the second quarter of 2024 compared to -$1.0 million in the second quarter of 2023. The reduced loss in Adjusted EBITDA from discontinued operations in the second quarter of 2024 was primarily due to an increase in gross profit as a result of higher revenue as well as a decrease in operating expenses in the M&N business line compared to the prior year period.

- Net loss from discontinued operations of $1.5 million in the second quarter of 2024, which was largely consistent with the prior year period. The net loss from discontinued operations in the second quarter of 2024 was mainly due to an operating loss of $1.0 million in the M&N business line. On a per share basis, a net loss of $0.01 per share in the second quarter of 2024 compared to a net loss of $0.02 per share in the second quarter of 2023.

RECENT DEVELOPMENTS

Products

In May 2024, Advantech Wireless Technologies Inc. ("Advantech") received an $8.2 million order for its ultra-high power Summit II Solid State Power Amplifier System. The order was placed by a major US defence contractor for use in a NATO government specific application. The Summit systems, produced by Advantech in its Kirkland, Quebec facility, feature a soft-fail redundant architecture based on our proprietary CAN Bus operating system.

In July 2024, the Embedded Antenna business line received a multi-year, multi-million dollar award for a 4G/5G antenna solution. It was selected by a US computer networking company to provide this solution for the networking company's mobile customer premise equipment product, which will be available to consumers through multiple US Tier 1 carriers as well as a Tier 1 carrier outside the United States.

Sale of the Mobile and Network Business

On July 9, 2024, the Company announced that it had entered into an agreement (the "Transfer Agreement") with a Korean strategic acquirer, under which the Company agreed to sell Galtronics Korea Co., Ltd. ("GTK") and Galtronics Vietnam Company Limited ("GTV"). The Company has completed the sale of GTK to the strategic acquirer. Subject to receipt of required regulatory approvals, the Company expects to complete the sale of GTV during the third quarter of 2024. Upon the sale of GTV, the Company will no longer be in the Mobile and Network business.

OUTLOOK

A number of the Company's financial measures from continuing operations in the second quarter of 2024 continued to improve, quarter over quarter, compared to the first quarter of 2024. Revenue increased by 9.9% ($22.0 million compared to $20.1 million) and gross profit increased by 19.6% ($9.2 million compared to $7.7 million). Gross margin improved by 3.4 percentage points (41.9% compared to 38.5%). This led to a stronger positive Adjusted EBITDA from continuing operations of $2.3 million in the second quarter of 2024 compared to $0.5 million in the first quarter of 2024. The improvement was driven primarily by the Wireless Infrastructure business line, which showed increased strength across all financial metrics, including revenue, gross profit and Adjusted EBITDA. The Embedded Antenna and Satcom business lines maintained their strong performance from the first quarter of 2024.

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 continuing 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 results from our continuing operations to remain positive during the third quarter and for the rest of 2024.

Embedded Antenna Business Line

The Embedded Antenna business line again had a strong second quarter of 2024, substantially in-line with its performance in the first quarter. The unfavourable macroeconomic conditions, principally due to an oversupply of finished goods, that led to lower sales volumes at the end of 2023 have not occurred this year. Moreover, demand for a new public safety product launched in the fourth quarter of 2023 has exceeded expectations in 2024. We expect the Embedded Antenna business line will continue to perform strongly for the remainder of 2024, despite expected seasonally affected lower sales in the third quarter. Results are dependent on the home networking, public safety and automotive markets remaining resilient in the face of 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 had a very strong second quarter of 2024, building on its success in the first quarter, with a continuing high volume of sales of its higher margin multibeam and innovative small cell antennas and further stadium and airport deployments. We are leveraging the competitive advantages that these products afford to 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 there remains a risk of spending cutbacks by carriers, we expect to see further spending on small cells in

2024, which will drive further sales volumes for the business. Based on our current assessment, we expect the full-year results to reflect a marked improvement over 2023, despite likely lower revenue in the second half of 2024 compared to the first six months.

Satcom Business Line

The Satcom business line continues to see consistent demand for its products, supported by strong capital spending by its customers, particularly for high powered amplifiers used in military, government, and broadcast applications.

Major programmatic opportunities continue to be resilient, particularly for high powered amplifiers, although awards remain lumpy. We continue to see softness in the commercial lower power market, particularly in the maritime and airplane sectors, but broadcast applications remain solid. 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 gross profit 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.

Mobile and Network (formerly, Asia Pacific) Business Line

The M&N business line continues to face significant challenges. The second quarter of 2024 saw a further reduction in revenue over the first quarter, as a result of lower sales volumes in two of its principal customer's mobile phones for which M&N supplies the antennas. In addition, M&N was unable to benefit from another program opportunity for its customer due to issues related to the ultimate finished goods producer on 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 until the divestiture is complete.

In July 2024, the Company announced it had reached agreement to sell the M&N business (see "Recent Developments - Sale of the Mobile and Network Business" on page 7 of this MD&A).

DISCUSSION OF CONTINUING OPERATIONS

Revenue and Gross Profit

(in $000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Revenue	**22,035**	**21,307**	**728**	**3.4%**	**42,088**	**40,052**	**2,036**	**5.1%**
Cost of sales	12,797	12,815	(18)	(0.1%)	25,128	23,942	1,186	5.0%
Gross profit	**9,238**	**8,492**	**746**	**8.8%**	**16,960**	**16,110**	**850**	**5.3%**
Gross margin	41.9%	39.9%			40.3%	40.2%		

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

The Company's revenue was $22.0 million in the second quarter of 2024 compared to $21.3 million in the second quarter of 2023, representing an increase of $0.7 million or 3.4%. The increase was primarily due to sales volume increase in the Wireless Infrastructure business line, offset partially by lower revenue in the Embedded Antenna business line. Revenue in the Satcom business line was largely consistent with the prior year period.

The Company's gross profit was $9.2 million in the second quarter of 2024, an increase of $0.7 million compared to the second quarter of 2023. Gross margin was 41.9% in the second quarter of 2024 compared to 39.9% in the second quarter of 2023. The higher gross margin in the second quarter of 2024 was mainly due to more favourable product mix compared to the prior year period. Wireless Infrastructure revenue as a percentage of total revenue was higher in the second quarter of 2024 and most of its products generate higher gross margins than the other product lines.

c) *Six Months Ended June 30, 2024 compared to Six Months Ended June 30, 2023*

The Company's revenue for the six months ended June 30, 2024 was $42.1 million compared to $40.1 million for the six months ended June 30, 2023, representing an increase of $2.0 million or 5.1%. The increase was primarily due to sales volume increase in both Embedded Antenna and Wireless Infrastructure business lines.

The Company's gross profit for the six months ended June 30, 2024 was $17.0 million (gross margin: 40.3%) compared to $16.1 million (gross margin: 40.2%) for the six months ended June 30, 2023. The gross margin for the six months ended June 30, 2024 remained largely consistent with the prior year period.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Payroll	1,110	1,115	(5)	(0.4%)	2,162	2,174	(12)	(0.6%)
Other	808	975	(167)	(17.1%)	1,580	1,403	177	12.6%
Total	**1,918**	**2,090**	**(172)**	**(8.2%)**	**3,742**	**3,577**	**165**	**4.6%**
As a percentage of revenue	8.7%	9.8%			8.9%	8.9%		

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

The Company's selling and marketing expenses in the second quarter of 2024 were $1.9 million (8.7% of revenue) compared to $2.1 million (9.8% of revenue) in the second quarter of 2023. The decrease in selling and marketing expenses in the second quarter of 2024 was primarily due to lower bonus and commissions accrued in the second quarter of 2024, partially offset by higher marketing and advertising costs compared to the prior year period.

c) *Six Months Ended June 30, 2024 compared to Six Months Ended June 30, 2023*

The Company's selling and marketing expenses for the six months ended June 30, 2024 were $3.7 million (8.9% of revenue) compared to $3.6 million (8.9% of revenue) for the six months ended June 30, 2023. The lower selling and marketing expenses in the six months ended June 30, 2023 was mainly 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 June 30,				**Six Months Ended June 30,**			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Research and development costs	2,714	3,010	(296)	(9.8%)	5,578	5,203	375	7.2%
Depreciation	101	103	(2)	(1.9%)	201	207	(6)	(2.9%)
Total	**2,815**	**3,113**	**(298)**	**(9.6%)**	**5,779**	**5,410**	**369**	**6.8%**
As a percentage of revenue	12.8%	14.6%			13.7%	13.5%		

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

The Company's R&D expenses in the second quarter of 2024 were $2.8 million (12.8% of revenue) compared to $3.1 million (14.6% of revenue) in the second quarter of 2023. The decrease in R&D expenses was primarily due to higher SR&ED tax credits accrued in the second quarter of 2024 compared to the prior year period.

c) *Six Months Ended June 30, 2024 compared to Six Months Ended June 30, 2023*

The Company's R&D expenses for the six months ended June 30, 2024 were $5.8 million (13.7% of revenue) compared to $5.4 million (13.5% of revenue) for the six months ended June 30, 2023. The lower R&D expenses in the six months ended June 30, 2023 was mainly due to the recognition of the US Employee Retention Tax Credit (see "Government Assistance Programs" on page 11 of this MD&A).

General and Administrative Expenses

(in $000's)

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Payroll	1,571	1,672	(101)	(6.0%)	3,206	3,448	(242)	(7.0%)
Other	1,828	1,168	660	56.5%	4,189	3,151	1,038	32.9%
Depreciation	207	217	(10)	(4.6%)	429	332	97	29.2%
Amortization	80	499	(419)	(84.0%)	160	1,125	(965)	(85.8%)
Total	**3,686**	**3,556**	**130**	**3.7%**	**7,984**	**8,056**	**(72)**	**(0.9%)**
As a percentage of revenue	16.7%	16.7%			19.0%	20.1%		

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

The Company's G&A expenses in the second quarter of 2024 were $3.7 million (16.7% of revenue) compared to $3.6 million (16.7% of revenue) in the second quarter of 2023. On one hand, the increase in G&A expenses was due in part to higher legal, IT and accounting expenses incurred in the second quarter of 2024. On the other hand, other G&A expenses were lower in the second quarter of 2023, which was mainly due to the recognition of the US Employee Retention Tax Credit (see "Government Assistance Programs" on page 11 of this MD&A).

The increase in G&A expenses in the second quarter of 2024 was partially offset by a decrease in amortization expenses, which was primarily due to the full amortization of customer relations intangible assets as at the end of the prior year period.

c) *Six Months Ended June 30, 2024 compared to Six Months Ended June 30, 2023*

The Company's G&A expenses for the six months ended June 30, 2024 were $8.0 million (19.0% of revenue) compared to $8.1 million (20.1% of revenue) for the six months ended June 30, 2023. Although the Company's total G&A expenses remained largely consistent with the prior year period, other G&A expenses had an increase of $1.0 million while amortization expenses decreased by $1.0 million in the six months ended June 30, 2024. The changes were due to the reasons noted above.

Government Assistance Programs

(in $000's)

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Employee Retention Tax Credit Program (USA)	-	350	(350)	(100.0%)	-	1,200	(1,200)	(100.0%)
Total	**-**	**350**	**(350)**	**(100.0%)**	**-**	**1,200**	**(1,200)**	**(100.0%)**

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 six months ended June 30, 2024 while $1.2 million was recognized in the six months ended June 30, 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 the second half of 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 below:

Reconciliation to Operating Income (Loss)

(in $000's)

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Operating income (loss)	**819**	**(22)**	**841**	**N/A**	**(545)**	**2,023**	**(2,568)**	**N/A**
Depreciation and amortization	695	1,116	(421)	(37.7%)	1,388	2,398	(1,010)	(42.1%)
EBITDA	**1,514**	**1,094**	**420**	**38.4%**	**843**	**4,421**	**(3,578)**	**(80.9%)**
Adjustments to EBITDA	759	(44)	803	N/A	1,890	(1,786)	3,676	N/A
Adjusted EBITDA	**2,273**	**1,050**	**1,223**	**> 100.0%**	**2,733**	**2,635**	**98**	**3.7%**

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

Adjustments to EBITDA

(in $000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Expenses for litigation relating to acquisition agreements	210	(95)	305	N/A	349	(34)	383	N/A
Expenses relating to planned restructuring following an acquisition	-	145	(145)	(100.0%)	-	160	(160)	(100.0%)
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	-	(201)	201	(100.0%)	207	(2,941)	3,148	N/A
Corporate re-organization expenses	-	-	-	N/A	-	7	(7)	(100.0%)
M&A expenses	103	-	103	N/A	184	-	184	N/A
Non-cash compensation	446	107	339	> 100.0%	1,150	1,022	128	12.5%
Total	**759**	**(44)**	**803**	**N/A**	**1,890**	**(1,786)**	**3,676**	**N/A**

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

The Company's operating income in the second quarter of 2024 was $0.8 million compared to an operating loss of close to $nil in the second quarter of 2023. The improvement was primarily due to combination of higher revenue, higher gross margins and lower operating expenses in the second quarter of 2024, albeit not having the benefit of the recognition of the US Employee Retention Tax Credit which were recorded in the second quarter of 2023 (see "Government Assistance Programs" on page 11 of this MD&A).

The Company's Adjusted EBITDA in the second quarter of 2024 was $2.3 million compared to $1.1 million in the second quarter of 2023. Adjustments to EBITDA amounting to $0.8 million in the second quarter of 2024 are detailed in the chart above.

c) *Six Months Ended June 30, 2024 compared to Six Months Ended June 30, 2023*

The Company's operating loss for the six months ended June 30, 2024 was $0.5 million compared to an operating income of $2.0 million for the six months ended June 30, 2023. The operating income in the six months ended June 30, 2023 was primarily due to a gain on lease termination and sale of non-current assets in the amount of $2.9 million as a result of completing the transfer of the MMU facility lease in Vietnam.

The Company's Adjusted EBITDA for the six months ended June 30, 2024 was $2.7 million compared to $2.6 million for the six months ended June 30, 2023. Adjustments to EBITDA amounting to $1.9 million for the six months ended June 30, 2024 are detailed in the chart above.

Net Income (Loss)

(in $000's except per share amounts)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Income (loss) before income taxes	203	466	(263)	(56.4%)	(1,705)	1,293	(2,998)	N/A
Income tax expense	335	248	87	35.1%	399	211	188	89.1%
Net income (loss)	**(132)**	**218**	**(350)**	**N/A**	**(2,104)**	**1,082**	**(3,186)**	**N/A**
Basic and diluted net income (loss) per share	($0.00)	$0.00	($0.00)	N/A	($0.02)	$0.02	($0.04)	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) Second Quarter of 2024 compared to Second Quarter of 2023

The Company's net loss in the second quarter of 2024 was $0.1 million compared to a net income of $0.2 million in the second quarter of 2023. The net loss in the second quarter of 2024 was mainly the net result of the operating income of $0.8 million offset by finance expenses and income tax expenses. The net income in the second quarter of 2023 was due in part to a favourable adjustment based on the fair market value of the convertible debentures. On a per share basis, the second quarter of 2024 produced a net loss of $nil per share compared to a net income of $nil per share in the second quarter of 2023.

c) Six Months Ended June 30, 2024 compared to Six Months Ended June 30, 2023

The Company's net loss for the six months ended June 30, 2024 was $2.1 million compared to a net income of $1.1 million for the six months ended June 30, 2023. The net loss in the six months ended June 30, 2024 was mainly due to the operating loss of $0.5 million as well as finance expenses and income tax expenses. The net income in the six months ended June 30, 2023 was primarily due to the gain on lease termination and sale of non-current assets in the amount of $2.9 million. On a per share basis, the six months ended June 30, 2024 generated a net loss of $0.02 per share compared to a net income of $0.02 per share for the six months ended June 30, 2023.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	2024			**2023**			**2022**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Profit and Loss								
Revenue	**22,035**	20,053	16,129	16,860	21,307	18,745	20,354	20,239
Gross profit	**9,238**	7,722	5,682	6,606	8,492	7,618	6,961	7,079
Gross margin	**41.9%**	38.5%	35.2%	39.2%	39.9%	40.6%	34.2%	35.0%
Net income (loss) from continuing operations	**(132)**	(1,972)	(6,944)	(2,355)	218	864	(4,449)	(2,909)
Net loss from discontinued operations	**(1,457)**	(786)	(1,135)	(1,009)	(1,461)	(2,030)	(186)	(1,952)
Net loss	**(1,589)**	(2,758)	(8,079)	(3,364)	(1,243)	(1,166)	(4,635)	(4,861)
Basic and diluted net income (loss) per share from continuing operations	**($0.00)**	($0.01)	($0.07)	($0.03)	$0.00	$0.02	($0.06)	($0.04)
Basic and diluted net loss per share from discontinued operations	**($0.01)**	($0.01)	($0.01)	($0.01)	($0.02)	($0.03)	($0.00)	($0.02)
Basic and diluted net loss per share	**($0.01)**	($0.02)	($0.08)	($0.04)	($0.02)	($0.01)	($0.06)	($0.06)
EBITDA* from continuing operations	**1,514**	(671)	(4,547)	(1,434)	1,094	3,327	(246)	(636)
EBITDA* from discontinued operations	**(580)**	281	(976)	(10)	(684)	(1,006)	(258)	(43)
EBITDA*	**934**	(390)	(5,523)	(1,444)	410	2,321	(504)	(679)
Adjusted EBITDA* from continuing operations	**2,273**	460	(2,047)	(779)	1,050	1,585	585	135
Adjusted EBITDA* from discontinued operations	**(580)**	(43)	(650)	(10)	(968)	(708)	21	(43)
Adjusted EBITDA*	**1,693**	417	(2,697)	(789)	82	877	606	92
Balance Sheet and Other*								
Current assets - Continuing operations	**37,044**	38,335	35,346	48,695	49,267	49,730	49,901	53,833
Current assets - Assets held for sale	**8,581**	9,576	7,885	-	400	402	552	911
Total current assets	**45,625**	47,911	43,231	48,695	49,667	50,132	50,453	54,744
Total assets	**60,993**	63,978	59,710	68,959	70,643	72,702	74,384	80,811
Current liabilities - Continuing operations	**41,296**	43,291	38,941	64,976	63,522	66,197	60,901	62,857
Current liabilities - Liabilities related to assets held for sale	**10,547**	10,628	8,854	-	-	-	-	-
Total current liabilities	**51,843**	53,919	47,795	64,976	63,522	66,197	60,901	62,857
Total liabilities	**64,728**	65,943	59,746	73,850	72,940	75,854	77,644	80,162
Net debt* from continuing operations	**16,641**	15,689	12,787	26,935	23,725	23,219	23,066	23,051
Backlog* from continuing operations	**32,603**	30,336	31,156	30,659	32,275	33,942	35,200	33,796

** EBITDA, Adjusted EBITDA, Net debt and Backlog are non-IFRS or supplementary financial 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 second quarter of 2024, 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 each of the preceding five 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)

	Six Months Ended June 30,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Cash flows (used in) generated from:				
Operating activities	(1,548)	(1,730)	182	(10.5%)
Investing activities	(66)	(232)	166	(71.6%)
Financing activities	570	5,101	(4,531)	(88.8%)
Net cash inflows (outflows) from continuing operations	(1,044)	3,139	(4,183)	N/A
Net cash outflows from discontinued operations	(1,246)	(3,382)	2,136	(63.2%)
Effect of foreign exchange differences	128	(383)	511	N/A
Net cash outflows	(2,162)	(626)	(1,536)	> 100.0%
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	2,741	6,753	(4,012)	(59.4%)

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

Operating Activities

Cash used in operating activities was $1.5 million during the six months ended June 30, 2024, a decrease of $0.2 million compared to $1.7 million used during the six months ended June 30, 2023. The decrease of cash used in operating activities in the six months ended June 30, 2024 was primarily due to moderate changes in working capital activities compared to the prior year period.

Investing Activities

Cash used in investing activities was $0.1 million during the six months ended June 30, 2024 compared to $0.2 million used during the six months ended June 30, 2023. Cash used in investing activities in the six months ended June 30, 2024 remained at a consistent low level compared to the prior year period.

Financing Activities

Cash generated from financing activities was $0.6 million during the six months ended June 30, 2024, a decrease of $4.5 million compared to $5.1 million generated during the six months ended June 30, 2023. Cash generated from financing activities in the six months ended June 30, 2023 included a private placement in May 2023 with proceeds of $3.12 million. The decrease of cash generated from financing activities in the six months ended June 30, 2024 was also due to a decrease in borrowing from the Company's aggregate revolving credit facilities 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 June 30, 2024	As at December 31, 2023	Change	Change
	$	$	$	%
Total Debt	19,382	17,690	1,692	9.6%
Less: Cash and cash equivalents	2,741	4,903	(2,162)	(44.1%)
Net Debt	**16,641**	**12,787**	**3,854**	**30.1%**

The Company had net debt at June 30, 2024 and December 31, 2023 of $16.6 million and $12.8 million, respectively. The increase in net debt was primarily due to an increase in working capital investment as a result of stronger sales and demand during the six months ended June 30, 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 16 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 June 30, 2024, the Company's CCC was 68 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 six months ended June 30, 2024.

During the six months ended June 30, 2024, working capital increased by $2.3 million. The increase primarily resulted from the following factors:

a) Increase in trade receivables of $5.6 million, mainly due to stronger sales in the Embedded Antenna and Wireless Infrastructure business lines in the latter part of the second quarter of 2024;

offset partially by:

b) Decrease in inventories of $2.0 million, due in part to faster turnover of Satcom inventories in the second quarter of 2024; and,

c) Increase in trade payables and other current liabilities of $1.3 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 second quarter of 2024.

Commitment for capital expenditures

As at June 30, 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 $28.7 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, a Fixed Charge Coverage Ratio, minimum EBITDA and minimum Liquidity (each 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 June 30, 2024, the Company's aggregate revolving credit facilities were $21.0 million, of which $19.4 million was drawn and utilized. As at June 30, 2024, $13.7 million was outstanding under the Revolving Facility.

The Term Loan was fully repaid at maturity on December 29, 2023.

The Credit Agreement has previously been amended, most recently as of June 5, 2024. The effect of the recent amendments is that:

- the maturity date of the Revolving Facility has been extended from June 30, 2024 to January 31, 2025;
- 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 $2 million from April 1, 2024 up to and including September 30, 2024, and $3 million thereafter;
- 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 those 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 June 30, 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.

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 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 June 30, 2024 and June 30, 2023:

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2024	2,451,727	$0.77
DSUs granted during 2024 up to June 30, 2024	2,249,787	$0.25
DSUs outstanding as at June 30, 2024	4,701,514	$0.52

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2023	1,537,514	$1.04
DSUs granted during 2023 up to June 30, 2023	340,834	$0.41
DSUs outstanding as at June 30, 2023	1,878,348	$0.93

The Company recognized a DSU expense of $0.6 million during the six months ended June 30, 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 June 30, 2024:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at June 30, 2024	Options vested as at December 31, 2023	Options exercised, surrendered, expired or cancelled as at June 30, 2024	Options net outstanding as at June 30, 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	270,000	-
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
May 20, 2024	52,000	$0.25	May 20, 2029	-	-	-	52,000
	13,157,500			1,189,547	1,957,550	4,552,318	8,605,182

The Company recognized a stock option expense of $0.5 million during the six months ended June 30, 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 $2.8 million for the six months ended June 30, 2024 compared to $3.5 million for the six months ended June 30, 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.

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

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 16 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 six months ended June 30, 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 June 30, 2024, the Company had forward contracts in place to sell an aggregate US$6.4 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.

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 June 30, 2024, and there were no changes to our use of financial instruments during the three months ended June 30, 2024.

OUTSTANDING SHARE DATA

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

- 151,117,680 common shares;
- 68,000 10% Cumulative Redeemable Retractable Series A Preferred Shares;
- 8,605,182 stock options;
- 1,856,410 RSUs; and,
- 4,701,514 DSUs.

Up to 15,163,106 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 18,134,121 common shares. As at the date of this MD&A, 2,971,015 common shares are available to be issued under the Omnibus Plan.

As at the date of this MD&A, 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 June 30, 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.

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.