BAYLIN TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2024

(Canadian dollars in thousands)

UNAUDITED

Notice of Unaudited Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements of Baylin Technologies Inc. ("Baylin") for the nine months ended September 30, 2024 have been prepared by management. Baylin's independent auditor has not performed an audit of these interim condensed consolidated financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for an audit of interim financial statements by an entity's auditors.

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Date of approval of consolidated financial statements: November 6, 2024

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

Canadian dollars in thousands

	September 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,700	$ 4,903
Trade and other receivables	14,157	8,861
Inventories	15,543	17,623
Assets held for sale	7,069	7,885
Other current assets	3,078	3,959
	43,547	43,231
NON-CURRENT ASSETS		
Property, plant and equipment	3,602	4,413
Right of use assets	7,193	7,798
Equity method investment	228	167
Intangibles	2,689	2,930
Other long-term assets	1,195	1,171
	14,907	16,479
TOTAL ASSETS	$ 58,454	$ 59,710
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Credit from banks	$ 18,052	$ 17,690
Accounts payable and accrued liabilities	22,807	20,293
Foreign exchange forward contracts	101	14
Short-term portion of lease liabilities	689	901
Liabilities related to assets held for sale	8,999	8,854
Income tax payable	120	57
	50,768	47,809
NON-CURRENT LIABILITIES		
Long-term portion of lease liabilities	6,452	6,747
Long-term loans	682	-
Convertible debentures	4,018	3,321
Deferred tax liabilities	5	-
Other long-term liabilities	1,871	1,869
	13,028	11,937
TOTAL LIABILITIES	63,796	59,746
SHAREHOLDERS' DEFICIT		
Share capital	187,803	187,767
Share-based payment reserve	9,071	7,728
Accumulated other comprehensive income	11,059	11,126
Accumulated deficit	(213,275)	(206,657)
TOTAL DEFICIT	(5,342)	(36)
TOTAL LIABILITIES AND DEFICIT	$ 58,454	$ 59,710

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (unaudited)
Canadian dollars in thousands except per share and weighted average share figures

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Revenues	$ 20,709	$ 16,860	$ 62,797	$ 56,912
Cost of sales	11,167	10,253	36,295	34,195
Gross profit	9,542	6,607	26,502	22,717
Operating expenses				
Selling and marketing expenses	2,064	1,737	5,806	5,314
Research and development expenses	3,338	3,020	9,117	8,430
General and administrative expenses	4,585	4,463	12,569	12,519
Gain on lease termination and sale of non-current assets	(881)	(400)	(881)	(3,356)
	9,106	8,820	26,611	22,907
Operating income (loss)	436	(2,213)	(109)	(190)
Finance expense, net	1,350	1,097	2,183	1,926
Investment income, net	(165)	(167)	(62)	(72)
Fair value adjustments	528	(823)	752	(1,017)
Loss before income taxes	(1,277)	(2,320)	(2,982)	(1,027)
Income tax expense	137	32	536	243
Net loss from continuing operations	$ (1,414)	$ (2,352)	$ (3,518)	$ (1,270)
Net loss from discontinued operations	(857)	(1,012)	(3,100)	(4,503)
Net Loss	$ (2,271)	$ (3,364)	$ (6,618)	$ (5,773)
Items that may be reclassified to profit or loss - continuing operations				
Amount arising from translation of foreign operations, net of tax	1,444	(45)	2,702	(1,533)
Items that may be reclassified to profit or loss - discontinued operations				
Amount arising from translation of foreign operations, net of tax	(392)	6	(2,059)	722
Items that will not be reclassified to profit or loss - discontinued operations				
Actuarial loss on sale of non-current assets, net of tax	(710)	-	(710)	-
Other comprehensive (loss) income (net of tax effect), discontinued operations	(1,102)	6	(2,769)	722
Other comprehensive (loss) income (net of tax effect)	$ 342	$ (39)	$ (67)	$ (811)
Total comprehensive loss	$ (1,929)	$ (3,403)	$ (6,685)	$ (6,584)
Basic and diluted net loss per common share - Continuing operations	$ (0.01)	$ (0.03)	$ (0.03)	$ (0.01)
Basic and diluted net loss per common share - Discontinued operations	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.06)
Basic and diluted net loss per common share	$ (0.02)	$ (0.04)	$ (0.05)	$ (0.07)
Weighted average shares outstanding	151,118,446	88,466,827	150,998,576	84,148,828

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

Canadian dollars in thousands except number of shares outstanding

	Number of common shares outstanding	Share capital	Share-based payment reserve	Accumulated Deficit	Accumulated other comprehensive income	Total equity (deficit)
Balance as of January 1, 2024	150,823,586	$ 187,767	$ 7,728	$ (206,657)	$ 11,126	$ (36)
Net loss	-	-	-	(6,618)	-	(6,618)
Other comprehensive loss	-	-	-	-	(67)	(67)
Share-based payment	-	-	1,343	-	-	1,343
Share issuances	353,838	36	-	-	-	36
Balance as of September 30, 2024	151,177,424	$ 187,803	$ 9,071	$ (213,275)	$ 11,059	$ (5,342)

	Number of common shares outstanding	Share capital	Share-based payment reserve	Accumulated Deficit	Accumulated other comprehensive income	Total equity (deficit)
Balance as of January 1, 2023	80,304,975	$ 172,790	$ 5,525	$ (192,805)	$ 11,230	$ (3,260)
Net loss	-	-	-	(5,773)	-	(5,773)
Other comprehensive income	-	-	-	-	(811)	(811)
Share-based payment	-	-	1,792	-	-	1,792
Share issuances	8,211,490	3,161	-	-		3,161
Balance as of September 30, 2023	88,516,465	$ 175,951	$ 7,317	$ (198,578)	$ 10,419	$ (4,891)

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

Canadian dollars in thousands

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Cash flows from operating activities				
Net loss from continuing operations	$ (1,414)	$ (2,352)	$ (3,518)	$ (1,270)
Adjustments to reconcile net loss from continuing operations to net cash generated by (used in) operating activities				
Share-based payment	322	223	1,379	1,247
Depreciation	591	191	1,819	1,466
Amortization	80	73	240	1,198
Finance expense, net	1,350	595	2,183	1,821
Lease termination gain and impairment recovery	-	-	-	(2,717)
Share of net (income) loss of equity method investment	(165)	(1)	(62)	94
Income tax expense	137	18	536	355
Fair value adjustment	529	(496)	753	(690)
Gain on sale of assets held for sale	(1,086)	-	(1,086)	-
Unrealized foreign exchange gain	(688)	(606)	(584)	(1,161)
	1,070	(3)	5,178	1,613
Changes in asset and liability items				
Decrease (increase) in trade receivables	461	951	(5,152)	(1,679)
Decrease (increase) in other current assets	1,432	301	1,407	(2,934)
Decrease (increase) in inventories	158	(1,360)	2,164	(3,509)
Increase in trade payables and other current liabilities	513	219	1,862	5,793
	2,564	111	281	(2,329)
Cash paid and received during the year for				
Interest paid, net	(518)	(269)	(1,724)	(2,144)
Taxes paid, net	(279)	-	(342)	(113)
	(797)	(269)	(2,066)	(2,257)
Net cash generated by (used in) operating activities - continuing operations	1,423	(2,513)	(125)	(4,243)
Net cash generated by (used in) operating activities - discontinued operations	193	108	(1,053)	(3,274)
Net cash generated by (used in) operating activities	1,616	(2,405)	(1,178)	(7,517)
Cash flows from investing activities				
Purchase of property, plant and equipment	$ (47)	$ (16)	$ (113)	$ (279)
Proceeds from sale of property, plant and equipment	-	(38)	-	(7)
Net cash used in investing activities - continuing operations	(47)	(54)	(113)	(286)
Cash flows from financing activities				
Cash received from issuance of common shares	$ -	$ -	$ -	$ 3,120
Borrowing from credit from banks and term loans	(364)	(304)	676	4,155
Repayment of term loan	-	-	-	(2,041)
Principal elements of lease payments	(232)	(123)	(702)	(560)
Net cash generated by (used in) financing activities - continuing operations	(596)	(427)	(26)	4,674
Exchange differences on balances of cash and cash equivalents	(14)	411	114	28
Increase (decrease) in cash and cash equivalents	$ 959	$ (2,475)	$ (1,203)	$ (3,101)
Cash and cash equivalents at the beginning of the period	2,741	6,753	4,903	7,379
Cash and cash equivalents at the end of the period	$ 3,700	$ 4,278	$ 3,700	$ 4,278

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

NOTE 1: NATURE OF OPERATIONS

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

Baylin, together with its subsidiaries (collectively, the “Company” or the “Group”), is a diversified global wireless technology company focused on the research, design, development, manufacture and sale of passive and active radio frequency (“RF”) products and satellite communications products, and supporting services. The Company’s products are marketed and sold under the brand names Galtronics and Advantech Wireless. The Company's operations are conducted through subsidiaries. Baylin’s common shares and convertible debentures are publicly traded on the Toronto Stock Exchange (TSX: BYL and BYL.DB).

Approval of financial statements

These interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2024 have been prepared by management of Baylin and were authorized for issuance in accordance with a resolution of the board of directors passed on November 6, 2024.

NOTE 2: BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2023 (the “Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

As of September 30, 2024 there have been no material changes to the significant accounting policies as outlined in Note 3 of the Annual Financial Statements, except as disclosed in Note 4.

NOTE 4: DISCLOSURES OF NEW STANDARDS ADOPTED AND PRIOR TO ADOPTION

New standards and amendments adopted

Certain new standards and amendments that have an impact on the interim condensed consolidated financial statements of the Company and became effective on January 1, 2024 are as follows:

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

On May 25, 2023, the IASB issued Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) to add disclosure requirements that ask an entity to provide qualitative and quantitative information about supplier finance arrangements.

On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

New standards and interpretations not yet adopted

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

On August 15, 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21) to provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for reporting periods beginning on or after January 1, 2025.

The Company is in the process of evaluating the impact of these standard on its consolidated financial statements.

NOTE 5: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The Company has applied judgment when classifying its Mobile and Network CGU ("M&N") as held for sale. The Company determined the sale of M&N is highly probable and will be completed within one year from the date of classification and not be abandoned. On July 30, 2024, the Company completed the sale of Galtronics Korea Co., Ltd. ("GTK"), a subsidiary of the Company and part of M&N.

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

In assessing the Company’s ability to continue as a going concern, management applied judgment as to the Company's ability, and has a reasonable expectation it will be able, (i) to fund operating and debt service requirements for the next 12 months and (ii) to refinance or extend the term of the Revolving Facility prior to its maturity on January 31, 2025.

There have been no other significant changes to the Company’s accounting judgments, estimates and assumptions made since the annual financial reporting for the year ended December 31, 2023.

NOTE 6: CREDIT FROM BANKS AND LOANS

Canada

On March 29, 2019, Baylin entered into a credit agreement (the “Credit Agreement”) with Royal Bank of Canada and HSBC Bank Canada (collectively, the “Lenders”) pursuant to which the Lenders established in favour of the Company:

- a revolving facility (the “Revolving Facility”) for up to $15,000; and
- a term facility (“Term Loan”) for up to $28,348.

The Revolving Facility and Term Loan are referred to as the “Credit Facilities”.

The availability of the Revolving Facility is based on the Company’s accounts receivables and inventory balances. The interest rate on the Revolving Facility is determined based on the type of advance, the applicable margin and the Company’s Senior Debt to EBITDA Ratio (as defined in the Credit Agreement) and is payable monthly in arrears, as set out in the Credit Agreement. Effective March 29, 2022, the interest rate on the Revolving Facility changed from a LIBOR-based rate to a rate based on the US Base Rate (as defined in the Credit Agreement). The interest rate on the Revolving Facility (which is drawn in US dollars) was 11.00% as at September 30, 2024 and 10.50% as at December 31, 2023. The interest rate on the standby fee on the undrawn portion of the Revolving Facility was 0.70% as at September 30, 2024 and December 31, 2023.

The Group may draw on its available revolving credit lines under the Revolving Facility and the China loan (described below) as needed. As at September 30, 2024, the aggregate revolving credit facilities of the Group were approximately $20,775, of which $18,733 was drawn and utilized and is recorded in credit from banks and long-term loan in the statement of financial position. As at December 31, 2023, the aggregate revolving credit facilities of the Group were approximately $20,997, of which $17,749 was drawn and utilized and is recorded in credit from banks and liabilities related to assets held for sale in the statement of financial position. As at September 30, 2024, $13,516 was outstanding under the Revolving Facility (December 31, 2023 - $12,380).

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

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

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

- the maturity date of the Revolving Facility was extended from June 30, 2024 to January 31, 2025;
- the Senior Debt to EBITDA Ratio and Fixed Charge Coverage Ratio will not apply during the remaining period of the Credit Facilities;
- the Company is required to maintain a minimum Liquidity of $2,000 from April 1, 2024 up to and including September 30, 2024, and $3,000 thereafter;
- the maximum availability under the Revolving Facility is $15,000; and
- at any time the Senior Debt to EBITDA Ratio is equal to or more than 2.75:1.00, the margin on US Base Rate loans is 2.50% and the standby fee is 0.70%.

The recent amendments include a waiver of the requirement to maintain a minimum Liquidity of $4,000 for the months ended December 31, 2023 and January 31, 2024.

China

In May 2023, the Company's Chinese subsidiary arranged a Yuan equivalent $5,775 short-term multiple tranche credit facility with the Bank of Ningbo. In May 2024, the credit facility was restructured into two separate credit facilities, a short-term multiple tranche credit facility with Bank of Ningbo and a sale and leaseback facility with Yongying Financial Lease Co., Ltd., a subsidiary of Bank of Ningbo. The short-term multiple tranche credit facility is secured by the subsidiary's land use rights and building in China. As at September 30, 2024, $4,100 was outstanding under this facility (December 31, 2023 - $5,310). The sale and leaseback is secured by substantially all the subsidiary's productive machinery and equipment. As at September 30, 2024, $682 was outstanding under this facility (December 31, 2023 - $nil).

Korea

GTK had a short-term credit facility with the Shinhan Bank of which $408 was available as of December 31, 2023. The loan interest rate was set at 1.4% plus the Korean Central Bank lending rate. The credit facility was secured by an irrevocable letter of credit issued in favour of the lender in Korea. On August 8, 2024, $540 was paid by Baylin at maturity of the letter of credit.

Vietnam

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

NOTE 7: CONVERTIBLE DEBENTURES

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

On May 19, 2021, the Indenture was amended to reduce, for a period of 30 days, the Conversion Price from $3.85 to $1.11 (the "New Conversion Price"), the market price of the common shares at the time the amendment became effective. As a result of this amendment, holders of $12,135 principal amount of the Debentures converted their Debentures into 10,932,429 common shares at the New Conversion Price, leaving $5,115 principal amount of the Debentures outstanding. The 30-day period during which the New Conversion Price remained in effect ended on June 18, 2021, following which the Conversion Price reverted to $3.85.

On June 21, 2023, the Indenture was further amended to (i) extend the maturity date of the Debentures from July 10, 2023 to June 30, 2026 (the "Maturity Date"), (ii) increase the interest rate on the Debentures from 6.5% to 8.5%, effective June 30, 2023, (iii) reduce the Conversion Price from $3.85 to $1.00 per common share, and (iv) change the definition of "Change of Control" to permit the Company's Chairman, Jeffrey C. Royer, and related parties, to acquire 66 2/3% or more of the common shares of the Company without it constituting a Change of Control.

The Debentures are convertible at the holder's option into common shares of Baylin at any time prior to the close of business on the earlier of: (i) the last business day before the Maturity Date; or, (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a Conversion Price of $1.00 per common share, subject to adjustment in certain events in accordance with the Indenture. Following completion of the Company's rights offering in December 2023, the Conversion Price was adjusted to $0.9156 per common share.

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

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

During the nine months ended September 30, 2024 and the nine months ended September 30, 2023, there were no conversions of Debentures.

Canadian dollars in thousands, except per share amounts

	Debentures Principal	Debentures Fair Value
Balance as of January 1, 2024	$ 5,115	$ 3,321
Fair value adjustment		697
Balance as of September 30, 2024	$ 5,115	$ 4,018

	Debentures Principal	Debentures Fair Value
Balance as of January 1, 2023	$ 5,115	$ 4,604
Fair value adjustment		(1,163)
Deferred finance costs		(84)
Balance as of September 30, 2023	$ 5,115	$ 3,357

NOTE 8: LITIGATION AND CONTINGENT LIABILITIES

SpaceBridge Inc. (formerly, Advantech Wireless Inc.)

Legal Proceedings

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

In October 2018, as a result of an indemnity claim by the Company, the Company received a payment from the escrow agent of approximately $1,800 out of part of the cash purchase price being held in escrow pursuant to the terms of an "Escrow Agreement" that also governed the procedure for making indemnity claims against the escrowed funds. The escrow agent released the amount because SpaceBridge failed to object to the indemnity claim within the 30-day period prescribed by the Escrow Agreement. SpaceBridge then filed an application in the Superior Court of Justice (Ontario) to have the amount repaid to the escrow on various grounds (the "Forfeiture Action"). The Forfeiture Action was heard in May 2023 and the judgment of the Court was rendered in July 2023. In the judgment, the Court found that the Company's indemnity claim was not validly delivered in accordance with the notice provisions of the Escrow Agreement and therefore SpaceBridge's objections to the claim was not late because the 30-day period was never triggered. The Court did not rule on the other grounds argued by SpaceBridge. The Court ordered the Company to repay the 1,800, together with interest, to the escrow agent. The Company appealed the judgment. The appeal was heard by the Ontario Court of Appeal on April 23, 2024 and it reserved judgment on certain aspects of the appeal. Pending judgment, the lower court's order remains stayed. The Company has accrued $2,035 in accounts payable and accrued liabilities on the statement of financial position, related to the escrow amount, including interest.

The Company has filed statements of claim against SpaceBridge for certain other indemnity obligations of SpaceBridge arising out of the Advantech Acquisition under the “Asset Purchase Agreement”. The claims, in the aggregate, total approximately $7,300. SpaceBridge has filed statements of defence, as well as statements of counterclaim. In July 2019, SpaceBridge delivered multiple indemnity claims pursuant to the terms of the Advantech Acquisition, seeking to set off the amounts being claimed by the Company. The Company has contested the indemnity claims.

In June 2019, SpaceBridge filed an application asserting oppression for, among other things, unspecified amounts in relation to the 2018 earn-out under the terms of the Advantech Acquisition and for common shares in the Company for which set-off has been claimed by the Company. SpaceBridge alleges that Mr. Gelerman, a principal of SpaceBridge and a former director of the Company, was improperly denied from participating in the management of the Company, resulting in a lower earn out than the maximum potential amount of $6,000. The "Asset Purchase Agreement" provided that SpaceBridge would be entitled to an additional (earn-out) payment on account of the purchase price between $750 and $3,000 in each of 2018 and 2019 conditional on the purchased business achieving certain EBITDA targets in those years. The Company's position is that the EBITDA targets were not met. The Company is opposing the objection and defending the other allegations. No date has been set for the application related to claims for compensation. The issue of whether the Company is entitled to assert set-off on the common shares was the subject of an appeal by the Company from a lower court ruling. In February 2021, the Ontario Court of Appeal found in favour of the Company, overturning the lower court’s decision and confirming that the Company is entitled to a right of set-off on the common shares. SpaceBridge applied for leave to appeal the ruling to the Supreme Court of Canada but in July 2021 the application was denied.

In January 2020, SpaceBridge filed a statement of claim claiming damages against the Company for various breaches of the Asset Purchase Agreement and two other agreements that were part of the Advantech Acquisition – a “Consulting Agreement” and a “Transitional Services Agreement”. These claims include the multiple indemnity claims previously made by SpaceBridge, as well as additional claims for breach of the other two agreements. The claims include loss of business opportunities, improper use of SpaceBridge’s books and records, unpaid rent on premises subleased from SpaceBridge as part of the Advantech Acquisition, unpaid consulting fees and diminution in the value of the Common Shares payable as part of the consulting fees under the Consulting Agreement and conversion of inventory after completion of the Advantech Acquisition. Where specified, the amount of damages claimed is at least $8,200. Documentary productions and examinations are ongoing.

The Company is unable to determine at this time whether it will be entitled to recover or required to pay any amounts related to these legal proceedings, including the Forfeiture Action; however, in the case of the Forfeiture Action, the Company has taken a reserve of $2,035.

Alga Microwave Inc.

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

Legal Proceedings

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

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

In May 2021, Alga made a separate claim against the former employee and others, claiming damages for approximately $2,200, alleging, among other things, a conspiracy to damage Alga's business, wrongful interference with its economic relations, breach of fiduciary duty and unpaid rent. The defendants in the previous action then commenced (in June 2021) a separate proceeding against Alga and others claiming the previous action is an abuse of procedure. In July 2021, Alga and the others counter-claimed against those defendants for abuse of procedure. All these actions have now been joined in one proceeding, which has been scheduled for trial in early 2026.

Separately, Advantech has brought an application against 12209454 Canada Inc. (cob as Nextt Microwave) and two former senior employees of Alga seeking an injunction and damages for the alleged infringement by the defendants of Advantech's intellectual property.

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

NOTE 9: SHARE CAPITAL AND SHARE-BASED PAYMENTS

a. 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.

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

Canadian dollars in thousands, except per share amounts

c. 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. 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.

During the nine months ended September 30, 2024 certain directors elected to receive a portion of their annual retainer in common shares. The Company recorded $108 in share capital during the nine months ended September 30, 2024, and $82 during the nine months ended September 30, 2023 related to this election.

The following table lists the number of DSUs outstanding as at September 30, 2024 and 2023:

	Number of DSUs	Weighted average price
DSUs outstanding as at January 1, 2024	2,451,727	$ 0.77
DSUs granted during the nine months ended September 30, 2024	2,387,042	$ 0.27
DSUs outstanding as at September 30, 2024	4,838,769	$ 0.52
DSUs outstanding as at January 1, 2023	1,537,514	$ 1.04
DSUs granted during the nine months ended September 30, 2023	553,995	$ 0.38
DSUs outstanding as at September 30, 2023	2,091,509	$ 0.87

The Company recognized an expense of $634 in the nine months ended September 30, 2024 and $210 in the nine months ended September 30, 2023 within general and administrative expenses with regards to the DSU Plan.

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

e. In the case of stock options, at the time of granting a stock option, the board of directors determines (i) the exercise price, being not less than the fair 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.

Canadian dollars in thousands, except per share amounts

The following table summarizes grants of stock options:

		Options as at September 30, 2024		
Stock option grant date	**Stock options granted**	**Vested**	**Exercised, expired, surrendered or cancelled**	**Net Outstanding**
May 21, 2019	270,000	250,000	270,000	-
Mar. 21, 2022	2,285,000	103,333	2,135,000	150,000
May 23, 2022	150,000	54,182	95,818	54,182
Sep. 26, 2022	5,000	3,333	-	5,000
Nov 21, 2022	14,000	3,333	4,000	10,000
May 23, 2023	3,000	1,000	-	3,000
Jun. 30, 2023	3,456,000	1,077,000	75,000	3,381,000
Mar. 31, 2024	4,950,000	-		4,950,000
May 20, 2024	52,000	-	-	52,000
	11,185,000	1,492,181	2,579,818	8,605,182

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

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

Stock option grant date	**Stock options granted**	**Exercise price**	**Expected volatility of the stock prices (%)**	**Risk-free interest rate (%)**	**Expected life of stock options (years)**	**Option fair value at the grant date**
May 21, 2019	270,000	$ 3.57	47.88	1.65	5.0	$ 1.67
Mar. 21, 2022	2,285,000	$ 0.79	77.90	2.18	5.0	$ 0.49
May 23, 2022	150,000	$ 0.59	66.20	2.70	5.0	$ 0.35
Sep. 26, 2022	5,000	$ 0.33	66.16	3.50	5.0	$ 0.17
Nov. 21, 2022	14,000	$ 0.33	79.47	3.32	5.0	$ 0.21
May 23, 2023	3,000	$ 0.39	80.90	3.41	5.0	$ 0.26
Jun. 30, 2023	3,456,000	$ 0.36	81.67	3.68	5.0	$ 0.27
Mar. 31, 2024	4,950,000	$ 0.25	89.73	3.64	5.0	$ 0.21
May 20, 2024	52,000	$ 0.25	90.52	3.63	5.0	$ 0.18
	11,185,000					

The Company recognized expenses related the Stock Option Plan during the nine months ended September 30, 2024 in the amount of $709 as general and administrative expenses and $858 during the nine months ended September 30, 2023.

Effective March 29, 2023, 3,456,000 stock options were cancelled and $589 was recorded as a general and administrative expense. 3,456,000 new stock options were issued on June 30, 2023.

On March 31, 2024, 4,950,000 stock options were granted.

Canadian dollars in thousands, except per share amounts

NOTE 10: EQUITY METHOD INVESTMENT

Baylin's equity-method investment consists of a 19% interest in Galtronics Canada Ltd. ("GTC"), a Canadian technology company that provides innovative antenna designs and RF test services for wireless communications products.

For the nine months ended September 30, 2024, transactions between the Company and GTC totaled $1,908, consisting primarily of R&D expenses related to the services agreements the Company has with GTC. As at September 30, 2024, the Company owe**d** $450 to GTC.

For the nine months ended September 30, 2023, transactions between the Company and GTC totaled $1,981. As at December 31, 2023, the Company was owed $874 from GTC.

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

	Galtronics Canada Ltd.	
	As of September 30, 2024	**As of December 31, 2023**
Cash	$ 88	$ 76
Other current assets	34	37
Accounts receivables	58	1,696
Property, plant and equipment	381	2,372
Accounts payables and accrued liabilities	640	(3,304)
Net assets	$ 1,201	$ 877
Share of equity method investment net assets (liability)	$ 228	$ 167

	Galtronics Canada Ltd.	
	For the nine months ended September 30, 2024	**For the nine months ended September 30, 2023**
Revenue	$ 2,988	$ 2,011
Expenses	2,660	1,629
Net income (loss)	$ 328	$ 382
Share of equity method investment net income (loss)	$ 62	$ 72

NOTE 11: RELATED PARTY TRANSACTIONS

Share-based payment for executive officers

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

Share-based payment for directors

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

Other

The Company retains the services of Mr. Jeffrey C. Royer, pursuant to a services agreement between Mr. Royer and the Company dated as of January 1, 2015, to fulfill the position of Chairman of the board of directors and to provide related strategic leadership and guidance to the board of directors and management of the Company. As consideration for the services provided under the agreement, the Company agreed to pay Mr. Royer an annual fee of $125 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. For 2024, Mr. Royer has waived the payment of this fee. For the nine months ended September 30, 2023 the Company paid Mr. Royer $94 in cash.

On May 26, 2023, the Company's principal shareholder, 2385796 Ontario Inc. (the "Principal Shareholder"), a corporation over which the Company's Chairman of the Board of Directors, Jeffery C. Royer, exercises control and direction over investment decisions, subscribed on a private placement basis for 8,000,000 common shares of the Company for proceeds to the Company of $3,120.

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

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

Director and executive officer remuneration

The following comprise the remuneration for directors and executive officers:

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

   These amounts comprise of executive officers' salary and benefits earned during the year, plus bonuses awarded for the year. The amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the current year of service.

b. Directors' remuneration

   These amounts represent fees and expense reimbursement paid to directors.

c. Share-based payment for executive officers

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

d. Share-based payment for directors

   These amounts represent the costs of DSU grants.

Canadian dollars in thousands, except per share amounts

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

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Salary, short-term benefits, pension and post-retirement benefits	1,785	1,609	$ 4,562	$ 5,060
Directors' remuneration	35	78	83	236
Share-based payment for executive management	216	734	709	1,582
Share-based payment for directors	70	70	633	209

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

NOTE 12: FAIR VALUE MEASUREMENTS

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

During the year ended December 31, 2023, the Company entered into foreign exchange forward contracts to sell US dollars in order to partially mitigate its foreign currency risk. At September 30, 2024, the Company had forward contracts in place to sell an aggregate US$ $5,980 (December 31, 2023: US$ 4,990). A net loss of $$88 was recognized on contracts which matured during the nine months ended September 30, 2024 (nine months ended September 30, 2023 - net loss of $146), which is included in the interim consolidated statement of loss and comprehensive loss.

The following table presents the Company's financial liabilities measured and recognized at fair value:

As at September 30, 2024	Level 1	Level 2	Level 3	Total
Convertible Debentures	$ 4,018	$ -	$ -	$ 4,018
Preferred shares	$ -	$ 1,700	$ -	$ 1,700
Foreign exchange forward contracts	$ -	$ 101	$ -	$ 101

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. As at September 30, 2024 and December 31, 2023, the company held the Convertible Debentures in level 1.

Canadian dollars in thousands, except per share amounts

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at September 30, 2024 and December 31, 2023, the company held the Preferred Shares and a foreign exchange future contract instrument in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at September 30, 2024 and December 31, 2023, the company does not hold any instruments included in level 3.

NOTE 13: REVENUES

Revenues by geographic destination are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
United States of America	$ 8,928	$ 5,397	$ 27,314	$ 21,234
China	4,113	2,030	12,145	5,364
Thailand	1,427	869	4,366	4,711
Indonesia	399	1,426	3,172	5,585
Canada	950	1,871	2,711	5,778
India	1,921	1	2,409	24
Spain	660	257	1,053	609
Vietnam	277	230	999	522
France	96	1,099	928	1,711
Philippines	233	19	655	164
Singapore	488	-	641	618
Mexico	112	70	589	412
Italy	29	-	532	363
Turkey	94	63	479	237
Sweden	-	185	475	1,390
Australia	-	88	445	552
United Kingdom	40	148	238	536
Israel	-	402	236	841
Other	942	2,705	3,410	6,261
	$ 20,709	$ 16,860	$ 62,797	$ 56,912

Canadian dollars in thousands, except per share amounts

NOTE 14: FINANCE INCOME AND EXPENSE

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Interest income	$ -	$ -	$ (1)	$ (1)
Interest expense	516	769	1,777	2,625
Interest cost on lease liabilities	96	76	297	313
Bank charge expense	11	27	58	62
Changes from foreign exchange rate changes	727	225	52	(1,073)
Finance expense, net	$ 1,350	$ 1,097	$ 2,183	$ 1,926

NOTE 15: ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

During the fourth quarter of 2023, the Company commenced a formal process for the sale of M&N as it is no longer considered part of the Company's core long-term strategy for the business. Management has determined that it met the requirement of IFRS 5 and, as a result, it has been classified as held for sale.

NOTE 16: SUBSEQUENT EVENT

On July 8, 2024, the Company entered into an agreement (the "Transfer Agreement") with a Korean strategic acquirer, Galtronics Vietnam Company Limited ("GTV"), Galtronics Vietnam Dai Dong Company Limited and Galtronics Korea Co., Ltd. ("GTK") under which the Company agreed to sell M&N (comprising GTK and GTV). The Company completed the sale of GTK on July 30, 2024. Subject to receipt of required regulatory approvals, the Company expects to complete the sale of GTV during the fourth quarter of 2024.