BAYLIN

TECHNOLOGIES

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Twelve Months Ended December 31, 2024

Dated March 19, 2025

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three and Twelve Months Ended December 31, 2024

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Baylin Technologies Inc. ("Baylin", the "Company", "we" or "us") was prepared by the Company's management. This MD&A should be read in conjunction with the audited consolidated financial statements of Baylin and related notes thereto for the years ended December 31, 2024 ("fiscal 2024") and December 31, 2023 ("fiscal 2023") (collectively, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to March 19, 2025, 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.

On July 8, 2024, the Company entered into an agreement to sell its Mobile and Network ("M&N") business line, comprised of Galtronics Korea Co., Ltd. ("GTK") and Galtronics Vietnam Company Limited ("GTV"). The Company completed the sale of GTK on July 30, 2024 and, following receipt of Vietnamese regulatory approvals, completed the sale of GTV on December 27, 2024. As a result, for accounting purposes, the M&N business line 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 or decline in sales of passive and active radio frequency products, satellite communications products, and supporting services, and other factors we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such assumptions and estimates will prove to be correct.

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

NON-IFRS MEASURES

This MD&A includes a number of financial measures that are not recognized under IFRS, do not have any standardized meaning under IFRS and as such may not be comparable to similar measures presented by other companies. Management believes that these measures provide useful information to analysts, investors and other interested parties regarding the Company's financial condition and results of operation as they provide additional key metrics of the Company's performance. The measures we use are specifically defined where they are first used.

While management believes that non-IFRS measures provide useful supplemental information, they are not intended to represent, and should not be considered as alternatives to, net income (loss), cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with IFRS.

Management also uses non-IFRS financial and other measures to exclude the impact of certain expenses and non-cash items that management does not believe reflect the Company's underlying operating performance. It also uses these measures to measure our financial and operating performance for business planning purposes and as a component in the determination of incentive compensation for salaried employees. We may change these measures from time to time if we believe doing so would result in a more effective analysis of our underlying operating performance.

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

i. "Net debt", which refers to total bank indebtedness less cash and cash equivalents;

ii. "Working capital", which refers to current assets less accounts payable and accrued liabilities;

iii. "Non-cash working capital", which refers to working capital less cash and cash equivalents;

iv. "Cash conversion cycle", which 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 net income (loss) plus interest expense and other finance expense (income), tax expense (recovery), depreciation, and amortization;

vii. "Adjusted EBITDA", which refers to EBITDA adjusted for the impact of certain items, including asset impairment charges, expenses related to mergers and acquisitions, gain or loss on the sale of a business, including related expenses, costs of reorganization of a business, legal costs arising from significant non-operating activities, severance and executive recruitment costs, and share-based compensation.

   Management has made changes to some of the above categories to better represent the nature of the adjustments to EBITDA (see "EBITDA and Adjusted EBITDA" on page 13 of this MD&A).

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 an indicator of anticipated revenue to be recognized upon fulfillment 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.

The IFRS measurement most directly comparable to both EBITDA and Adjusted EBITDA is net income (loss).

OVERVIEW

Background and Description of Operations

Baylin is a diversified global wireless technology company. It is focused on the research, design, development, manufacture, and sale of passive and active radio frequency ("RF") and satellite communications products, and the provision of 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.

Galtronics

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

As a result of the Company's sale of the M&N business line, the Galtronics line of business is 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 plant in China.

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) worked with OEM customers to design and produce antennas for mobile phones, personal computers, tablets, IOT, and wirelessly connected devices.

Satcom

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

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

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

SELECTED FINANCIAL INFORMATION

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

(in $000's except per share amounts)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Profit and Loss								
Revenue	**20,792**	16,129	4,663	28.9%	**83,589**	73,041	10,548	14.4%
Gross profit	**7,888**	5,681	2,207	38.8%	**34,390**	28,398	5,992	21.1%
Gross margin	**37.9%**	35.2%	2.7 *pp*	7.7%	**41.1%**	38.9%	2.2 *pp*	5.7%
Net loss from continuing operations	**(4,942)**	(6,947)	2,005	(28.9%)	**(8,460)**	(8,217)	(243)	3.0%
Net income (loss) from discontinued operations	**3,706**	(1,132)	4,838	N/A	**606**	(5,635)	6,241	N/A
Net loss	**(1,236)**	(8,079)	6,843	(84.7%)	**(7,854)**	(13,852)	5,998	(43.3%)
Basic and diluted net loss per share from continuing operations	**($0.03)**	($0.07)	$0.04	(57.1%)	**($0.05)**	($0.10)	$0.05	(50.0%)
Basic and diluted net income (loss) per share from discontinued operations	**$0.03**	($0.01)	$0.04	N/A	**$0.00**	($0.06)	$0.06	(100.0%)
Basic and diluted net loss per share	**($0.00)**	($0.08)	$0.08	(100.0%)	**($0.05)**	($0.16)	$0.11	(68.8%)
EBITDA* from continuing operations	**(3,769)**	(4,547)	778	(17.1%)	**(1,817)**	(1,560)	(257)	16.5%
EBITDA* from discontinued operations	**(426)**	(976)	550	(56.4%)	**(1,384)**	(2,676)	1,292	(48.3%)
EBITDA*	**(4,195)**	(5,523)	1,328	(24.0%)	**(3,201)**	(4,236)	1,035	(24.4%)
Adjusted EBITDA* from continuing operations	**1,816**	(2,047)	3,863	N/A	**5,406**	(191)	5,597	N/A
Adjusted EBITDA* from discontinued operations	**(426)**	(650)	224	(34.5%)	**(1,708)**	(2,336)	628	(26.9%)
Adjusted EBITDA*	**1,390**	(2,697)	4,087	N/A	**3,698**	(2,527)	6,225	N/A

	As at	As at		
	December 31, 2024	**December 31, 2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Balance Sheet and Other*				
Current assets - Continuing operations	**37,292**	35,346	1,946	5.5%
Current assets - Assets held for sale	**-**	7,885	(7,885)	(100.0%)
Total current assets	**37,292**	43,231	(5,939)	(13.7%)
Total assets	**49,166**	59,710	(10,544)	(17.7%)
Current liabilities - Continuing operations	**44,375**	38,955	5,420	13.9%
Current liabilities - Liabilities related to assets held for sale	**-**	8,854	(8,854)	(100.0%)
Total current liabilities	**44,375**	47,809	(3,434)	(7.2%)
Total liabilities	**57,689**	59,746	(2,057)	(3.4%)
Net debt* from continuing operations	**14,271**	12,787	1,484	11.6%
Backlog* from continuing operations	**30,195**	31,156	(961)	(3.1%)

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

*** Balance Sheet as at December 31, 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.*

FISCAL YEAR SUMMARY

Continuing Operations

- Revenue of $83.6 million in fiscal 2024, an increase of $10.5 million or 14.4% compared to fiscal 2023. The increase was mainly due to overall sales volume increase in the Embedded Antenna and Wireless Infrastructure business lines compared to the prior fiscal year.
- Gross profit of $34.4 million in fiscal 2024, an increase of $6.0 million or 21.1% compared to fiscal 2023. The increase was primarily due to an increase in both revenue and higher gross margin from the Wireless Infrastructure business line.
- Gross margin (see "Non-IFRS Measures" on page 3 of this MD&A) of 41.1% in fiscal 2024 compared to 38.9% in fiscal 2023. The higher gross margin in fiscal 2024 was due to improved product mix mainly generated by higher sales of multibeam, small cell and innovative antennas in the Wireless Infrastructure business line.
- Adjusted EBITDA (see "Non-IFRS Measures" on page 3 of this MD&A) of $5.4 million in fiscal 2024, an increase of $5.6 million compared to -$0.2 million in fiscal 2023. The increase in Adjusted EBITDA in fiscal 2024 was primarily due to a combination of stronger revenue and higher gross margin discussed above.
- Net loss of $8.5 million in fiscal 2024 compared to a net loss of $8.2 million in fiscal 2023. The net loss in fiscal 2024 was mainly due to an operating loss of $4.5 million, which included an impairment charge of $2.6 million for the Satcom business line, interest and other finance expenses, as well as an unfavourable adjustment of $1.5 million based on the fair market value of the Company's convertible debentures. On a per share basis, a net loss of $0.05 per share in fiscal 2024 compared to a net loss of $0.10 per share in fiscal 2023.
- Net debt (see "Non-IFRS Measures" on page 3 of this MD&A) of $14.3 million at December 31, 2024, an increase of $1.5 million from December 31, 2023.
- Backlog (see "Non-IFRS Measures" on page 3 of this MD&A) of $30.2 million at December 31, 2024 compared to $31.2 million at December 31, 2023. Backlog increased to $30.6 million at February 28, 2025.

Discontinued Operations (representing the Mobile and Network business line)

- Adjusted EBITDA from discontinued operations of -$1.7 million in fiscal 2024 compared to -$2.3 million in fiscal 2023. The decreased loss in Adjusted EBITDA from discontinued operations was primarily due to lower operating expenses of the M&N business line in the second half of fiscal 2024 as a result of the completion of sale of GTK in July 2024.
- Net income from discontinued operations of $0.6 million in fiscal 2024 compared to a net loss of $5.6 million from discontinued operations in fiscal 2023. The net income from discontinued operations in fiscal 2024 was mainly due to a gain on sale of the M&N business line in the amount of $4.1 million. On a per share basis, a net income of $nil per share in fiscal 2024 compared to a net loss of $0.06 per share in fiscal 2023.

FOURTH QUARTER SUMMARY

Continuing Operations

- Revenue of $20.8 million in the fourth quarter of 2024, an increase of $4.7 million or 28.9% compared to the fourth quarter of 2023. The increase in revenue in the fourth quarter of 2024 was also due to sales volume increases in the Embedded Antenna and Wireless Infrastructure business lines.
- Gross profit of $7.9 million in the fourth quarter of 2024, an increase of $2.2 million or 38.8% compared to the fourth quarter of 2023. The increase in gross profit in the fourth quarter of 2024 was also due to improved revenue and gross margin.
- Gross margin of 37.9% in the fourth quarter of 2024 compared to 35.2% in the fourth quarter of 2023. The higher gross margin in the fourth quarter of 2024 was primarily attributable to stronger revenue recovery and favourable product mix in the Wireless Infrastructure business line.

- Adjusted EBITDA of $1.8 million in the fourth quarter of 2024, an increase of $3.8 million compared to -$2.0 million in the fourth quarter of 2023. The increase in Adjusted EBITDA in the fourth quarter of 2024 was mainly due to the increase in revenue and gross profit as discussed above and a reclassification of $2.0 million from cash based to non-cash based share compensation.
- Net loss of $4.9 million in the fourth quarter of 2024 compared to a net loss of $6.9 million in the fourth quarter of 2023. The net loss in the fourth quarter of 2024 was primarily due to an operating loss of $4.4 million, which included an impairment charge of $2.6 million for the Satcom business line. On a per share basis, a net loss of $0.03 per share in the fourth quarter of 2024 compared to a net loss of $0.07 per share in the fourth quarter of 2023.

Discontinued Operations (representing the Mobile and Network business line)

- Adjusted EBITDA from discontinued operations of -$0.4 million in the fourth quarter of 2024 compared to -$0.7 million in the fourth quarter of 2023. The decreased loss in Adjusted EBITDA from discontinued operations was due to the reasons noted above.
- Net income from discontinued operations of $3.7 million in the fourth quarter of 2024 compared to a net loss of $1.1 million from discontinued operations in the fourth quarter of 2023. The net income from discontinued operations in the fourth quarter of 2024 was mainly due to reclassifying the gain on sale of the M&N business line to discontinued operations in this quarter. On a per share basis, a net income of $0.03 per share in the fourth quarter of 2024 compared to a net loss of $0.01 per share in the fourth quarter of 2023.

RECENT DEVELOPMENTS

Products

The Company's products continue to be used in a wide variety of applications. In the fourth quarter of 2024:

- Wireless Infrastructure's multibeam antennas were selected for a wide variety of events and venues, including Taylor Swift concerts at Rogers Stadium in Toronto and BC Place in Vancouver; these patented antennas have now been deployed by all three national carriers in Canada, all three national carriers in the United States and both national carriers in Mexico.
- Satcom received orders for its high-power ground station antennas to support a cislunar communications network, which is part of NASA's Artemis lunar space program, and for other products used in the Government of Canada's North Warning System, a radar surveillance system comprising 47 radar sites extending across the Arctic from the western part of Yukon to the southern coast of Labrador.

Sale of the Mobile and Network Business

On July 9, 2024, the Company announced that it had entered into an agreement with a Korean strategic acquirer under which the Company agreed to sell Galtronics Korea Co., Ltd. ("GTK") and Galtronics Vietnam Company Limited ("GTV"). On July 30, 2024, the Company completed the sale of GTK and recognized a gain on sale in the amount of $0.9 million. On December 27, 2024, the Company completed the sale of GTV following receipt of Vietnamese regulatory approvals and recognized a gain on sale in the amount of $3.2 million.

Credit Facilities

The Company is currently in the process of settling with our lender an amended and restated credit agreement to extend the revolving credit facility (the "Revolving Facility") until April 30, 2026. We anticipate being able to settle the new agreement prior to the current maturity date of the Revolving Facility on March 31, 2025 or another short term extension will be obtained while the new agreement is finalized.

Management Changes

Mr. Cliff Gary was appointed Chief Financial Officer of the Company effective January 1, 2025. Mr. Gary was previously the Company's Vice President Finance. He replaced Mr. Dan Nohdomi, the former Senior Vice President and Chief Financial Officer of the Company, who resigned effective December 31, 2024.

Share Consolidation

The Board of Directors has approved a consolidation (the “Consolidation”) of all its issued and outstanding shares on the basis of 40 pre-consolidation common shares for one post-consolidation common share. There are 151,421,995 common shares currently outstanding. Following the Consolidation, and assuming there is no change in the number of common shares outstanding, there will be approximately 3,785,549 common shares outstanding.

The Consolidation is subject to shareholder approval at the Company’s upcoming Annual and Special Meeting of Shareholders (the “Meeting”) on May 8, 2025. Further information about the Consolidation will be included in the management information circular for the Meeting, which, following mailing, will be available under the Company’s profile on SEDAR+ at www.sedarplus.ca. The Consolidation is also subject to approval of the Toronto Stock Exchange.

OUTLOOK

The Company delivered strong financial performance in fiscal 2024, with substantial increases in revenue, gross profit and Adjusted EBITDA compared to fiscal 2023. Both Embedded Antenna and Wireless Infrastructure exceeded expectations, but Satcom was flat in revenue attainment in 2024 which fell below expectations. The macroeconomic environment in 2025 remains a concern, including uncertainty concerning the level of inflation and interest rates generally, impacts of US tariffs and retaliatory tariffs from countries subject to US tariffs, as well as government purchasing behaviour changes driven by the new US government administration. In addition to their effect on inflation, tariffs could also affect exchange rates and disrupt supply chains on which the Company relies in producing its products. For now, we expect revenue growth from both Embedded Antenna and Wireless Infrastructure business lines in 2025 but offset by higher operating costs incurred to support business development, resulting in a combined financial performance comparable to 2024, which was a very strong year. Satcom is currently expected to deliver lower revenue than 2024, and is also more likely to be adversely affected by the 25% US tariff on imported Canadian goods. See “Tariffs” below. We continue to prioritize product mix, emphasizing products that generate higher margins and gross profit, with a view to growing Adjusted EBITDA and positive cash flows while reducing the overall debt.

Embedded Antenna Business Line

We expect Embedded Antenna will continue to perform strongly in 2025, although at levels slightly below those in 2024. Revenue is expected to be higher but customer order delays and the impact of tariffs on its customers could affect revenue attainment. The number of active bids for new projects remains at a strong level. The Embedded Antenna business closed 2024 with a record high level of backlog, which has grown further as at the end of February 2025.

Wireless Infrastructure Business Line

In 2025, Wireless Infrastructure expects continuing strong sales of its higher margin multibeam and innovative small cell antennas as well as stadium deployments throughout the year. We are continuing to leverage the competitive advantages that these products afford in order to open up new global opportunities and 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 Europe and Mexico, where we have not previously had sales. Although there remains a risk of spending cutbacks by carriers and third party operators, we expect to see further spending on multibeam and small cell antennas continue in 2025, which will drive higher sales volumes for the business. Based on our current assessment, we expect fiscal 2025 to reflect improvements in revenue, gross profit and Adjusted EBITDA over 2024.

Satcom Business Line

Satcom expects to generate lower revenue in 2025 compared to 2024 mainly due to a reduction in demand for its products, particularly its specialized custom engineered products, such as high powered amplifiers for use in military, government, and broadcast applications. Satcom’s revenue may also be negatively affected by US tariffs. See “Tariffs” below.

We continue to see softness in the commercial lower power market, but broadcast applications remain solid. 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 expect to see continued opportunities for military and other government-related uses as many western countries continue to maintain high levels of defence and scientific spending. Conversely, the new US government administration and the Department of Government Efficiency activities may cause some delay in orders due to uncertainty with our customers. Our plan is to retire legacy products and replace them with the new Genesis architecture.

Improving production efficiencies in our facilities in order to address the backlog and improve overall revenue attainment continues to remain an important priority, particularly in our Kirkland, Quebec facility.

Tariffs

On February 1, 2025, the President of the United States by executive order announced a 25% tariff on imports from Canada (other than energy or energy resources, for which a 10% tariff will apply) and an additional 10% tariff on imports from China (subsequently increased to 20%), to become effective on February 4, 2025. The Canada tariff was initially paused until March 4, 2025, and is currently in effect except for goods that are compliant with the Canada-United States-Mexico Agreement.

The Company is taking steps to avoid or mitigate the effect of the tariffs.

The Embedded Antenna business line is not expected to be affected directly by the increase in the China tariff. Although its products are manufactured in our facility in China, they are shipped from there to contract manufacturers elsewhere in Asia for embedding in the final products of those contract manufacturers. This has been our experience with the previous US tariffs levied on imports from China starting in 2018. However, there remains a risk that the additional tariff could impact future order volumes for Embedded Antenna's products.

Wireless Infrastructure's products are also manufactured in our facility in China but are then purchased by Galtronics USA for delivery to customers in various jurisdictions, including the United States. We are in working with our US customers, and considering other measures, to mitigate the effect of the China tariff.

In the case of Satcom, most of its products are produced in Canada, of which a significant proportion - between 40% and 50% annually - is delivered to customers in the United States. The Company is assessing various options to avoid or mitigate the effect of the Canada tariff, which may include a change in the structure and operation of its business, and other measures, so that its products remain competitive in the US market. Nevertheless, the Canada tariff could result in delays or cancellations of existing orders and reduced new orders for Satcom's products, impacting Satcom's backlog and its revenue from reduced sales.

There can be no assurance (i) as to the timing or term of the existing tariffs or whether they will be lifted at all; or (ii) that our efforts to avoid or mitigate the effect of the tariffs will be sufficient or adequate to counteract (in whole or in part) the potential negative financial or other impacts the tariffs may have on our business, and those impacts may be material.

FISCAL YEAR DISCUSSION OF CONTINUING OPERATIONS

Revenue and Gross Profit

(in $000's)

	Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**83,589**	**73,041**	**10,548**	**14.4%**
Cost of sales	49,199	44,643	4,556	10.2%
Gross profit	**34,390**	**28,398**	**5,992**	**21.1%**
Gross margin	41.1%	38.9%		

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

a) *Factors affecting Revenue and Gross Profit*

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

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

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

b) *Fiscal 2024 compared to Fiscal 2023*

The Company's revenue was $83.6 million in fiscal 2024 compared to $73.0 million in fiscal 2023, representing an increase of $10.6 million or 14.4%. The increase was primarily due to overall sales volume increase in the Embedded Antenna and Wireless Infrastructure business lines compared to the prior fiscal year.

The Company's gross profit was $34.4 million in fiscal 2024 compared to $28.4 million in fiscal 2023. Gross margin was 41.1% in fiscal 2024 compared to 38.9% in fiscal 2023. The higher gross margin in fiscal 2024 was mainly due to more favourable product mix. Compared to the prior fiscal year, Wireless Infrastructure revenue as a percentage of total revenue was higher in fiscal 2024, and most of its products generate higher gross margins than the other two business lines.

Selling and Marketing Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	4,294	4,269	25	0.6%
Other	3,629	2,835	794	28.0%
Total	**7,923**	**7,104**	**819**	**11.5%**
As a percentage of revenue	9.5%	9.7%		

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

a) *Factors affecting Selling and Marketing Expenses*

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

b) *Fiscal 2024 compared to Fiscal 2023*

The Company's selling and marketing expenses in fiscal 2024 were $7.9 million (9.5% of revenue) compared to $7.1 million (9.7% of revenue) in fiscal 2023. The increase was primarily due to higher commissions accrual in fiscal 2024 as a result of an increase in revenue compared to the prior fiscal year. The lower selling and marketing expenses in fiscal 2023 was due in part to recognition of US Employee Retention Tax Credit (see "Government Assistance Programs" on page 12 of this MD&A).

Research and Development Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Research and development costs	11,840	11,040	800	7.2%
Depreciation	395	415	(20)	(4.8%)
Total	**12,235**	**11,455**	**780**	**6.8%**
As a percentage of revenue	14.6%	15.7%		

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 United States and Canada. The Company often incurs significant expenditures in the development of a new product without any assurance that its customers' system designers will ultimately select the product for use in their applications. Management is often required to anticipate which product designs will generate demand in advance of its customers expressly indicating a need for that particular design. Even if the customers' system designers ultimately select our products, a substantial period of time may elapse before the Company generates revenue relative to the possibly significant expenses it has initially incurred.

b) *Fiscal 2024 compared to Fiscal 2023*

The Company's R&D expenses in fiscal 2024 were $12.2 million (14.6% of revenue) compared to $11.5 million (15.7% of revenue) in fiscal 2023. The increase was primarily due to higher payroll and engineering costs incurred for new products development in fiscal 2024 compared to the prior fiscal year. The lower R&D expenses in fiscal 2023 was partially due to the recognition of US Employee Retention Tax Credit (see "Government Assistance Programs" on page 12 of this MD&A).

General and Administrative Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	6,451	6,562	(111)	(1.7%)
Other	8,565	9,971	(1,406)	(14.1%)
Depreciation	817	773	44	5.7%
Amortization	320	1,331	(1,011)	(76.0%)
Total	**16,153**	**18,637**	**(2,484)**	**(13.3%)**
As a percentage of revenue	19.3%	25.5%		

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, as well as depreciation and amortization of non-current assets.

b) *Fiscal 2024 compared to Fiscal 2023*

The Company's G&A expenses in fiscal 2024 were $16.2 million (19.3% of revenue) compared to $18.6 million (25.5% of revenue) in fiscal 2023. The decrease was partially due to lower amortization expenses in fiscal 2024, mainly because customer relations intangible assets were not fully amortized until the first quarter of 2023. Other

G&A expenses were higher in fiscal 2023, mainly due to an accrual of $1.8 million in fiscal 2023 related to a court judgment in July 2023 ordering the Company to return the funds to an escrow fund account set up as part of the acquisition of the Satcom business in 2018. For further details, see Note 26 to our Consolidated Financial Statements for the year ended December 31, 2024.

Excluding the impact of the accrual for the escrow fund payment in 2023, there was an increase in Other G&A expenses in fiscal 2024, primarily due to higher consulting, legal and severance expenses relating to the sale of M&N business line compared to the prior fiscal year.

Government Assistance Programs

(in $000's)

		Twelve Months Ended December 31,			
		2024	**2023**	**Change**	**Change**
		$	**$**	**$**	**%**
Employee Retention Tax Credit Program	USA	-	1,200	(1,200)	(100.0%)
Total		**-**	**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 fiscal 2024 whereas $1.2 million was recognized in fiscal 2023, which was recorded as a reduction of cost of sales and operating expenses in the amount of $0.1 million and $1.1 million, respectively.

Operating Loss and Net Loss

(in $000's except per share amounts)

	Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating loss	**(4,530)**	**(5,442)**	**912**	**(16.8%)**
Finance expense, net	1,593	3,825	(2,232)	(58.4%)
Investment income, net	(56)	(33)	(23)	69.7%
Fair value adjustments	1,486	(1,163)	2,649	N/A
Loss before income taxes	**(7,553)**	**(8,071)**	**518**	**(6.4%)**
Tax expense	907	146	761	> 100.0%
Net loss	**(8,460)**	**(8,217)**	**(243)**	**3.0%**
Basic and diluted net loss per share	($0.05)	($0.10)	$0.05	(50.0%)

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

a) *Factors affecting Operating Loss and Net Loss*

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

b) *Fiscal 2024 compared to Fiscal 2023*

The Company's operating loss in fiscal 2024 was $4.5 million compared to $5.4 million in fiscal 2023. The operating loss in fiscal 2024 included an impairment charge in the amount of $2.6 million for the Satcom business line, whereas the operating loss in fiscal 2023 was largely offset by a gain on lease termination in the amount of $3.3 million as a result of completing the transfer of the MMU facility lease in Vietnam.

Excluding the impact of both the impairment and the gain on lease termination, the change in operating loss would have improved by $6.8 million in fiscal 2024, which was primarily due to a combination of stronger revenue and higher gross margins compared to the prior fiscal year.

The Company's net loss in fiscal 2024 was $8.5 million compared to a net loss of $8.2 million in fiscal 2023. The net loss in fiscal 2024 was mainly due to the operating loss of $4.5 million, interest and other finance expenses, as well as an unfavourable adjustment based on the fair market value of the Company's convertible debentures in the amount of $1.5 million. Tax expense in fiscal 2024 comprises withholding taxes and income tax provision for the subsidiaries of the Company in China and the USA. The net loss in fiscal 2023 was partially offset by a favourable adjustment based on the fair market value of the Company's convertible debentures in the amount of $1.2 million. On a per share basis, fiscal 2024 generated a net loss of $0.05 per share compared to a net loss of $0.10 per share in fiscal 2023.

EBITDA and Adjusted EBITDA

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

Reconciliation from Net Loss to EBITDA and Adjusted EBITDA

(in $000's)

	Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Net loss	**(8,460)**	**(8,217)**	**(243)**	**3.0%**
Plus:				
Tax expense	907	146	761	> 100.0%
Interest and other finance expense	3,023	2,629	394	15.0%
Depreciation and Amortization	2,713	3,882	(1,169)	(30.1%)
EBITDA	**(1,817)**	**(1,560)**	**(257)**	**16.5%**
Adjustments to EBITDA	7,223	1,369	5,854	> 100.0%
Adjusted EBITDA	**5,406**	**(191)**	**5,597**	**N/A**

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

a) *Factors affecting EBITDA and Adjusted EBITDA*

The Company's EBITDA is impacted by the factors noted above for operating income or loss. The Company's Adjusted EBITDA is impacted by certain factors, including asset impairment charges, expenses related to mergers and acquisitions, gain or loss on the sale of a business line, including its related expenses, costs of reorganization of a business line, legal costs arising from significant non-operating activities, severance and executive recruitment costs, and share-based compensation.

b) *Fiscal 2024 compared to Fiscal 2023*

The Company's EBITDA in fiscal 2024 was -$1.8 million compared to -$1.6 million in fiscal 2023. The Adjusted EBITDA in fiscal 2024 was $5.4 million compared to -$0.2 million in fiscal 2023. The adjustments to EBITDA amounting to $7.2 million in fiscal 2024 and $1.4 million in fiscal 2023 are detailed in the table below.

Adjustments to EBITDA

(in $000's)

	Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses relating to sale of a business line (1)	893	147	746	> 100.0%
Legal expenses relating to non-operating activities (2)	351	380	(29)	(7.6%)
Severance expenses (3)	447	87	360	> 100.0%
Impairments (4)	2,609	-	2,609	N/A
Gain on lease termination and sale of non-current assets (5)	-	(3,356)	3,356	(100.0%)
Reserve for escrow payment (6)	-	1,827	(1,827)	(100.0%)
Share-based compensation (7)	2,923	2,284	639	28.0%
Total	**7,223**	**1,369**	**5,854**	**> 100.0%**

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

The Company's Adjusted EBITDA in fiscal 2024 and fiscal 2023 were impacted by the following factors:

(1) Represents costs relating to the reorganization and sale of the M&N business line, including professional advisory fees, such as investment banking and legal fees. This category was previously named as "Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions". The change better clarifies the type of costs that are being expensed and puts the cost of eliminating position into a separate category under "Severance expenses". See note (3).

(2) Represents legal costs incurred from significant non-operating activities, principally those relating to litigation arising out of the acquisition of the Satcom business in 2018. This category was previously named as "Expenses for litigation relating to acquisition agreements". The change better describes the nature of the expenses even though the type of expenses themselves has not changed.

(3) Represents expenses incurred by the Company to recruit for vacancies in key management positions and severance costs of laid-off or terminated employees. See note (1).

(4) Represents impairment charges as a result of the impairment test analysis performed by the Company on its non-financial assets.

(5) Represents the gain resulting from the transfer by the Company's indirect subsidiary, Galtronics Vietnam Dai Dong Co., Ltd. of its leasehold interest in its facility in Vietnam in 2023 and the sale of equipment following the decision to close the facility.

(6) Represents the amount the Superior Court of Justice (Ontario) ordered the Company to pay to return the amount to the escrow agent appointed in connection with the acquisition of the radio frequency and satellite communications business of SpaceBridge Inc. (formerly, Advantech Wireless Inc.) in 2018. This amount does not include accrued interest of $0.2 million which is being accrued with the expense included in finance costs.

(7) Represents share-based compensation expenses related to the grant of awards under the Company's Omnibus Equity Incentive Plan.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	2024				**2023**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Profit and Loss								
Revenue	**20,792**	20,709	22,035	20,053	16,129	16,860	21,307	18,745
Gross profit	**7,888**	9,542	9,238	7,722	5,681	6,607	8,492	7,618
Gross margin	**37.9%**	46.1%	41.9%	38.5%	35.2%	39.2%	39.9%	40.6%
Net income (loss) from continuing operations	**(4,942)**	(1,414)	(132)	(1,972)	(6,947)	(2,352)	218	864
Net income (loss) from discontinued operations	**3,706**	(857)	(1,457)	(786)	(1,132)	(1,012)	(1,461)	(2,030)
Net loss	**(1,236)**	(2,271)	(1,589)	(2,758)	(8,079)	(3,364)	(1,243)	(1,166)
Basic and diluted net income (loss) per share from continuing operations	**($0.03)**	($0.01)	($0.00)	($0.01)	($0.07)	($0.01)	$0.00	$0.02
Basic and diluted net income (loss) per share from discontinued operations	**$0.03**	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.02)	($0.03)
Basic and diluted net loss per share	**($0.00)**	($0.02)	($0.01)	($0.02)	($0.08)	($0.02)	($0.02)	($0.01)
EBITDA* from continuing operations	**(3,769)**	1,109	1,514	(671)	(4,547)	(1,434)	1,094	3,327
EBITDA* from discontinued operations	**(426)**	(659)	(580)	281	(976)	(10)	(684)	(1,006)
EBITDA*	**(4,195)**	450	934	(390)	(5,523)	(1,444)	410	2,321
Adjusted EBITDA* from continuing operations	**1,816**	857	2,273	460	(2,047)	(779)	1,050	1,585
Adjusted EBITDA* from discontinued operations	**(426)**	(659)	(580)	(43)	(650)	(10)	(968)	(708)
Adjusted EBITDA*	**1,390**	198	1,693	417	(2,697)	(789)	82	877
Balance Sheet and Other*								
Current assets - Continuing operations	**37,292**	36,478	37,044	38,335	35,346	48,695	49,267	49,730
Current assets - Assets held for sale	**-**	7,069	8,581	9,576	7,885	-	400	402
Total current assets	**37,292**	43,547	45,625	47,911	43,231	48,695	49,667	50,132
Total assets	**49,166**	58,454	60,993	63,978	59,710	68,959	70,643	72,702
Current liabilities - Continuing operations	**44,375**	41,769	41,296	43,291	38,955	64,976	63,522	66,197
Current liabilities - Liabilities related to assets held for sale	**-**	8,999	10,547	10,628	8,854	-	-	-
Total current liabilities	**44,375**	50,768	51,843	53,919	47,809	64,976	63,522	66,197
Total liabilities	**57,689**	63,796	64,728	65,943	59,746	73,850	72,940	75,854
Net debt* from continuing operations	**14,271**	15,034	16,641	15,689	12,787	26,935	23,725	23,219
Backlog* from continuing operations	**30,195**	30,227	32,603	30,336	31,156	30,659	32,275	33,942

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

*** Balance Sheet as at the end of each quarter in fiscal 2024 as well as the fourth quarter of 2023 reflects the reclassification of all assets and liabilities of the M&N business line into "Assets held for sale" and "Liabilities related to assets held for sale", respectively. Such assets and liabilities are classified as current. Balance Sheet as at the end of the third quarter, the second quarter and the first quarter of 2023 does not reflect such reclassification, which makes the comparison against the recent five quarter-end results not applicable (except for "Total assets" and "Total liabilities").*

The Company's revenue and gross profit from continuing operations in each of the four quarters in fiscal 2024 were higher than the comparable quarters in fiscal 2023, and the Company achieved four consecutive quarters of positive Adjusted EBITDA in fiscal 2024.

The Company's net debt at the end of the fourth quarter of 2024 dropped to the lowest level in fiscal 2024, while the Company's backlog remained resilient at the end of the fourth quarter of 2024 after delivering consistently strong revenue in each quarter during fiscal 2024.

FOURTH QUARTER DISCUSSION OF CONTINUING OPERATIONS

Revenue and Gross Profit

(in $000's)

	Three Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**20,792**	**16,129**	**4,663**	**28.9%**
Cost of sales	12,904	10,448	2,456	23.5%
Gross profit	**7,888**	**5,681**	**2,207**	**38.8%**
Gross margin	37.9%	35.2%		

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

- *Fourth Quarter of 2024 compared to Fourth Quarter of 2023*

  The Company's revenue was $20.8 million in the fourth quarter of 2024 compared to $16.1 million in the fourth quarter of 2023, representing an increase of $4.7 million or 28.9%. The increase was primarily due to sales volume increase in the Embedded Antenna and Wireless Infrastructure business lines compared to the prior year period.

  The Company's gross profit was $7.9 million in the fourth quarter of 2024, an increase of $2.2 million compared to the fourth quarter of 2023. Gross margin was 37.9% in the fourth quarter of 2024 compared to 35.2% in the fourth quarter of 2023. The higher gross margin in the fourth quarter of 2024 was mainly attributable to stronger revenue and favourable product mix in the Wireless Infrastructure business line compared to the prior year period.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,055	1,047	8	0.8%
Other	1,062	743	319	42.9%
Total	**2,117**	**1,790**	**327**	**18.3%**
As a percentage of revenue	10.2%	11.1%		

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

- *Fourth Quarter of 2024 compared to Fourth Quarter of 2023*

  The Company's selling and marketing expenses in the fourth quarter of 2024 were $2.1 million (10.2% of revenue) compared to $1.8 million (11.1% of revenue) in the fourth quarter of 2023. The increase in selling and marketing expenses in the fourth quarter of 2024 was primarily due to higher commissions accrual as a result of an increase in revenue compared to the prior year period.

Research and Development Expenses

(in $000's)

	Three Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Research and development costs	3,027	2,921	106	3.6%
Depreciation	91	104	(13)	(12.5%)
Total	**3,118**	**3,025**	**93**	**3.1%**
As a percentage of revenue	15.0%	18.8%		

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

- *Fourth Quarter of 2024 compared to Fourth Quarter of 2023*

  The Company's R&D expenses in the fourth quarter of 2024 were $3.1 million (15.0% of revenue) compared to $3.0 million (18.8% of revenue) in the fourth quarter of 2023. R&D expenses in the fourth quarter of 2024 were largely consistent with the prior year period.

General and Administrative Expenses

(in $000's)	**Three Months Ended December 31,**			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,677	1,599	78	4.9%
Other	1,635	4,219	(2,584)	(61.2%)
Depreciation	192	220	(28)	(12.7%)
Amortization	80	80	-	0.0%
Total	**3,584**	**6,118**	**(2,534)**	**(41.4%)**
As a percentage of revenue	17.2%	37.9%		

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

- *Fourth Quarter of 2024 compared to Fourth Quarter of 2023*

  The Company's G&A expenses in the fourth quarter of 2024 were $3.6 million (17.2% of revenue) compared to $6.1 million (37.9% of revenue) in the fourth quarter of 2023. The decrease mainly resulted from higher Other G&A expenses in the fourth quarter of 2023, in which the Company recorded an accrual in the amount of $1.8 million related to a court judgment in July 2023 ordering the Company to return the funds into an escrow fund account set up as part of the acquisition of the Satcom business in 2018. For further details, see Note 26 to our Consolidated Financial Statements for the year ended December 31, 2024.

Operating Loss and Net Loss

(in $000's except per share amounts)	**Three Months Ended December 31,**			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating loss	**(4,421)**	**(5,252)**	**831**	**(15.8%)**
Finance (income) expense, net	(590)	1,899	(2,489)	N/A
Investment expense, net	6	39	(33)	(84.6%)
Fair value adjustments	734	(146)	880	N/A
Loss before income taxes	**(4,571)**	**(7,044)**	**2,473**	**(35.1%)**
Tax expense (recovery)	371	(97)	468	N/A
Net loss	**(4,942)**	**(6,947)**	**2,005**	**(28.9%)**
Basic and diluted net loss per share	($0.03)	($0.07)	$0.04	(57.1%)

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

- *Fourth Quarter of 2024 compared to Fourth Quarter of 2023*

  The Company's operating loss in the fourth quarter of 2024 was $4.4 million compared to $5.3 million in the fourth quarter of 2023. The operating loss in the fourth quarter of 2024 included $2.6 million impairment charge as well as a reclassification of $0.9 million for the gain on sale of GTK to discontinued operations.

Excluding the impact of impairment and reclassification of gain on sale of GTK, the change in operating loss would have improved by $4.3 million in the fourth quarter of 2024, which was primarily due to stronger revenue, higher gross profit and lower operating expenses compared to the prior year period.

The Company's net loss in the fourth quarter of 2024 was $4.9 million compared to a net loss of $6.9 million in the fourth quarter of 2023. The net loss in the fourth quarter of 2024 was mainly due to the operating loss of $4.4 million as discussed above. On a per share basis, the fourth quarter of 2024 produced a net loss of $0.03 per share compared to a net loss of $0.07 per share in the fourth quarter of 2023.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are reconciled as follows:

Reconciliation from Net Loss to EBITDA and Adjusted EBITDA

(in $000's)

	Three Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Net loss	**(4,942)**	**(6,947)**	**2,005**	**(28.9%)**
Plus:				
Tax expense (recovery)	371	(97)	468	N/A
Interest and other finance expense	150	1,792	(1,642)	(91.6%)
Depreciation and Amortization	652	705	(53)	(7.5%)
EBITDA	**(3,769)**	**(4,547)**	**778**	**(17.1%)**
Adjustments to EBITDA	5,585	2,500	3,085	> 100.0%
Adjusted EBITDA	**1,816**	**(2,047)**	**3,863**	**N/A**

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

- *Fourth Quarter of 2024 compared to Fourth Quarter of 2023*

The Company's EBITDA in the fourth quarter of 2024 was -$3.8 million compared to -$4.5 million in the fourth quarter of 2023. The Adjusted EBITDA in the fourth quarter of 2024 was $1.8 million compared to -$2.0 million in the fourth quarter of 2023. The adjustments to EBITDA amounting to $5.6 million in the fourth quarter of 2024 and $2.5 million in the fourth quarter of 2023 are detailed in the table below.

Adjustments to EBITDA

(in $000's)

	Three Months Ended December 31,			
	2024	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses relating to sale of a business line (1)	641	(74)	715	N/A
Legal expenses relating to non-operating activities (2)	(168)	293	(461)	N/A
Severance expenses (3)	170	20	150	> 100.0%
Impairments (4)	2,609	-	2,609	N/A
Reserve for escrow payment (6)	-	1,827	(1,827)	(100.0%)
Share-based compensation (7)	1,452	434	1,018	> 100.0%
Reclassification of gain on sale of a business line (8)	881	-	881	N/A
Total	**5,585**	**2,500**	**3,085**	**> 100.0%**

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

The Company's Adjusted EBITDA in the fourth quarter of 2024 and 2023 were impacted by the following factors:

(1) Represents costs relating to the reorganization and sale of the M&N business line, including professional advisory fees, such as investment banking and legal fees. This category was previously named as "Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions". The change better clarifies the type of costs that are being expensed and puts the cost of eliminating position into a separate category under "Severance expenses". See note (3).

(2) Represents legal costs incurred from significant non-operating activities, principally those relating to litigation arising out of the acquisition of the Satcom business in 2018. This category was previously named as "Expenses for litigation relating to acquisition agreements". The adjustment for this category in the fourth quarter of 2024 includes reclassifications of certain expenses.

(3) Represents expenses incurred by the Company to recruit for vacancies in key management positions and severance costs of laid-off or terminated employees. See note (1).

(4) Represents impairment charges as a result of the impairment test analysis performed by the Company on its non-financial assets.

(6) Represents the amount the Superior Court of Justice (Ontario) ordered the Company to pay to return the amount to the escrow agent appointed in connection with the acquisition of the radio frequency and satellite communications business of SpaceBridge Inc. (formerly, Advantech Wireless Inc.) in 2018. This amount does not include accrued interest of $0.2 million which is being accrued with the expense included in finance costs.

(7) Represents share-based compensation expenses related to grant of awards under the Company's Omnibus Equity Incentive Plan.

(8) Represents the reclassification of $0.9 million for the gain on sale of GTK to discontinued operations, which was previously included as an adjustment to EBITDA in the third quarter of 2024.

CASH FLOWS

(in $000's)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2024	**2023**	**Change**	**Change**	**2024**	**2023**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Cash flows (used in) generated from:								
Operating activities	952	692	260	37.6%	827	(3,551)	4,378	N/A
Investing activities	(24)	253	(277)	N/A	(137)	(33)	(104)	> 100.0%
Financing activities	(540)	435	(975)	N/A	(566)	5,109	(5,675)	N/A
Net cash inflows from continuing operations	388	1,380	(992)	(71.9%)	124	1,525	(1,401)	(91.9%)
Net cash inflows (outflows) from discontinued operations	690	(513)	1,203	N/A	(363)	(3,787)	3,424	(90.4%)
Effect of foreign exchange differences	228	(242)	470	N/A	342	(214)	556	N/A
Net cash inflows (outflows)	1,306	625	681	> 100.0%	103	(2,476)	2,579	N/A
Cash and cash equivalents at the beginning of period	3,700	4,278	(578)	(13.5%)	4,903	7,379	(2,476)	(33.6%)
Cash and cash equivalents at the end of period	5,006	4,903	103	2.1%	5,006	4,903	103	2.1%

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

Operating Activities

Cash generated from operating activities was $1.0 million in the fourth quarter of 2024 compared to $0.7 million generated in the fourth quarter of 2023. The higher cash inflows from operating activities in the fourth quarter of 2024 was primarily due to stronger financial performance.

Cash generated from operating activities was $0.8 million during the twelve months ended December 31, 2024, an increase of $4.4 million compared to $3.6 million used during the twelve months ended December 31, 2023. The increase of cash inflows from operating activities in fiscal 2024 was mainly due to a combination of stronger operating performance, less interest paid as a result of lower debt, and lower working capital movements compared to the prior fiscal year.

Investing Activities

Cash used in investing activities was close to nil in the fourth quarter of 2024 compared to $0.3 million generated in the fourth quarter of 2023. The higher cash inflows from investing activities in the fourth quarter of 2023 mainly resulted from the proceeds from sale of assets following the decision to close the MMU facility in Vietnam.

Cash used in investing activities was $0.1 million during the twelve months ended December 31, 2024 compared to close to nil used during the twelve months ended December 31, 2023. The minimal cash used in investing activities in fiscal 2024 was primarily due to cash conservation measures to preserve liquidity, resulting in the Company's capital expenditures at a consistent low level.

Financing Activities

Cash used in financing activities was $0.5 million in the fourth quarter of 2024, a decrease of $1.0 million compared to $0.4 million generated in the fourth quarter of 2023. The higher cash inflows from financing activities in the fourth quarter of 2023 mainly due to cash received from a rights offering and private placement of preferred shares in December 2023, offset partially by cash used for repayment of the Company's term loan in full.

Cash used in financing activities was $0.6 million during the twelve months ended December 31, 2024, a decrease of $5.7 million compared to $5.1 million generated during the twelve months ended December 31, 2023. The higher cash inflows from financing activities in fiscal 2023 was primarily due to cash received from a rights offering and private placement of preferred shares in December 2023, a private placement in May 2023 and an increase in borrowing from the Company's credit facility in China, offset partially by cash used for repayment of the Company's term loan in full.

NET DEBT, CAPITAL RESOURCES AND LIQUIDITY

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

Net Debt

(in $000's)

	As at December 31, 2024	As at December 31, 2023	Change	Change
	$	$	$	%
Total Debt	19,277	17,690	1,587	9.0%
Less: Cash and cash equivalents	5,006	4,903	103	2.1%
Net Debt	**14,271**	**12,787**	**1,484**	**11.6%**

The Company had net debt at December 31, 2024 and December 31, 2023 of $14.3 million and $12.8 million, respectively. The increase in net debt was primarily due to the use of cash to fund working capital requirements, lease payments and debt interest payments during the twelve months ended December 31, 2024.

Liquidity

Management's approach is to ensure, to the extent reasonably possible, that sufficient liquidity exists to meet liabilities as they become due. We do so by monitoring cash flows, revenue and expenses compared to their budgeted amounts. Cash flow is reviewed with each business line management team on a weekly basis while other metrics such as the cash conversion cycle ("CCC") are reviewed with each business line management team on a monthly basis (see "Non-IFRS Measures" on page 3 of this MD&A). Management looks to these key indicators to ensure the Company is generating sufficient cash to maintain sufficient liquidity 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 21 of this MD&A).

Working capital requirements

Working capital requirements are primarily for raw materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements could see an increase due to increased sales volumes, increased inventory levels to meet additional demand, customer payment delays, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at December 31, 2024, the Company's CCC was 57 days compared to 92 days as at December 31, 2023. The decrease was mainly attributable to shorter days inventory outstanding in the Embedded Antenna and Wireless Infrastructure business lines largely as a result of stronger revenue generation in the fourth quarter of 2024 compared to the prior year period.

During the twelve months ended December 31, 2024, working capital decreased by $0.2 million, which mainly resulted from the following factors:

a) Increase in trade receivables of $5.4 million, mainly due to stronger sales in the Embedded Antenna and Wireless Infrastructure business lines in the latter part of fiscal 2024;

offset partially by:

b) Decrease in inventories of $2.3 million, primarily due to faster turnover of the Embedded Antenna and Wireless Infrastructure inventories in the fourth quarter of 2024; and,

c) Increase in trade payables and other current liabilities of $1.7 million, due in part to increased production volumes in the Embedded Antenna and Wireless Infrastructure business lines as a result of stronger sales and demand in the latter part of fiscal 2024.

Commitment for capital expenditures

As at December 31, 2024, the Company had an aggregate commitment for capital expenditures of approximately $0.1 million, which are primarily for upgrades to the IT system and hardware maintenance.

Credit from banks and loans

On March 29, 2019, the Company entered into a credit agreement (the "Credit Agreement") with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") pursuant to which the Lenders established in favour of the Company a revolving credit facility (the "Revolving Facility") for up to $15 million and a term credit facility ("Term Loan") for up to $30.2 million (together, the "Credit Facilities"). The Credit Facilities are guaranteed by the Company's subsidiaries and are secured by substantially all the assets of the Company and the guarantors (subject to existing security of the Company's Chinese subsidiary). 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, investments, distributions, capital expenditures, additional debt, changes to 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 Revolving Facility is available in both US dollars and Canadian dollars. As at December 31, 2024, the interest rate applied to the Revolving Facility was 10.50% per annum on US dollar advances and 8.50% per annum on Canadian dollar advances (both rates include the applicable margin of 2.50%).

The Company may draw on its available revolving credit facilities under the Revolving Facility as well as revolving credit facilities with a bank domiciled in China, as needed. As at December 31, 2024, the Company's aggregate revolving credit facilities were $20.9 million, of which $19.3 million was drawn and utilized, including $14.0 million 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 February 27, 2025. The effect of the amendments is that:

- the maturity date of the Revolving Facility has been extended to March 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 $3 million from October 1, 2024 and 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 Company is in default of the Revolving Facility for failure to obtain the Lenders' consent for the Company's hedging arrangements and failure to pay an outstanding court order related to the acquisition of the Satcom business in 2018. As a result of the default, the Revolving Facility is due on demand at the request of the Lenders.

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 December 31, 2024 and December 31, 2023:

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2024	2,451,727	$0.77
DSUs granted during 2024	2,571,252	$0.27
DSUs outstanding as at December 31, 2024	5,022,979	$0.51

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

The Company recognized a DSU expense of $0.7 million during the twelve months ended December 31, 2024, which was included in G&A expenses.

Stock Option Grants

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

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

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at December 31, 2024	Options vested as at December 31, 2023	Options exercised, surrendered, expired or cancelled as at December 31, 2024	Options net outstanding as at December 31, 2024
Jul. 11, 2018	197,500	$3.50	Jul. 11, 2023	81,200	81,200	197,500	-
Nov. 9, 2018	250,000	$3.84	Nov. 9, 2023	250,000	250,000	250,000	-
May 21, 2019	270,000	$3.57	May 21, 2024	250,000	250,000	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	54,182	50,016	95,818	54,182
Sep. 26, 2022	5,000	$0.33	Sep. 26, 2027	3,333	1,667	-	5,000
Nov. 21, 2022	14,000	$0.21	Nov. 21, 2027	6,667	4,667	4,000	10,000
May 23, 2023	3,000	$0.39	May 23, 2028	2,000	-	-	3,000
Jun. 30, 2023	3,456,000	$0.36	Jun. 30, 2028	1,127,000	-	425,000	3,031,000
Mar. 31, 2024	4,950,000	$0.25	Mar. 31, 2029	-	-	150,000	4,800,000
May 20, 2024	52,000	$0.25	May 20, 2029	-	-	-	52,000
	13,157,500			2,336,048	1,957,550	5,052,318	8,105,182

The Company recognized a stock option expense of $0.9 million during the twelve months ended December 31, 2024, which was included in G&A expenses. In March 2023, employees with outstanding out-of-the-money options were given the opportunity to have their options cancelled on a voluntary basis. As a result, effective March 29, 2023, 3,606,000 options were cancelled. Effective June 30, 2023, the board of directors approved a new grant of 3,456,000 options.

During the second quarter of 2023, 1,856,410 RSUs were issued with a value of $0.7 million.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes our significant contractual obligations and other obligations as well as our off-balance sheet arrangements as at December 31, 2024:

(in $000's)

	Payments Due by Period				
	Less than 1 year	**1 - 3 years**	**4 - 5 years**	**After 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Credit from banks (1)	18,695	-	-	-	18,695
Long-term loans (2)	-	582	-	-	582
Inventory purchase commitments (3)	4,977	2,763	-	-	7,740
Lease payment obligations (4)	590	2,182	1,136	3,019	6,927
Convertible debentures principal	-	5,115	-	-	5,115
Convertible debentures interest	435	217	-	-	652
Preferred shares	-	1,700	-	-	1,700
Preferred shares dividend	170	510	-	-	680
Foreign exchange forward contracts (5)	407	-	-	-	407
Total Contractual Obligations	**25,274**	**13,069**	**1,136**	**3,019**	**42,498**

Notes:

(1) Represents the maturity of the Company's credit facilities under the Revolving Facility as well as revolving credit facilities with a bank domiciled in China. For further details, see Note 14 to our Consolidated Financial Statements for the year ended December 31, 2024.

(2) Represents the maturity of a sale and leaseback facility between the Company's Chinese subsidiary and a financial lease company domiciled in China. For further details, see Note 14 to our Consolidated Financial Statements for the year ended December 31, 2024.

(3) Represents the cost (excluding duties and shipping) of outstanding inventory purchases ordered from our suppliers and expected to be received within the period.

(4) Represents the Company's payment obligations related to financial lease liabilities. For further details, see Note 10 to our Consolidated Financial Statements for the year ended December 31, 2024.

(5) Represents the obligations of the Company's foreign exchange forward contracts in place to sell US dollars for Canadian dollars.

TRANSACTIONS WITH RELATED PARTIES

Executive officer remuneration

Short-term benefits, pension and post-retirement benefits of the Company's executive officers amounted to $5.4 million for the twelve months ended December 31, 2024 compared to $5.6 million for the twelve months ended December 31, 2023. These amounts comprise of executive officers' salary and benefits earned during the year, plus bonuses awarded for the year. These amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the current year of service.

Other

The Company retains the services of Mr. Jeffrey C. Royer, pursuant to a services agreement between Mr. Royer and the Company dated as of January 1, 2015, to fulfill the position of Chairman of the board of directors and to provide related strategic leadership and guidance to the board of directors and management of the Company. As Chairman of the board of directors, Mr. Royer is entitled to an annual fee of $125,000. Mr. Royer has waived the payment of this fee for 2024.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Operating segments

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

Assets and liabilities held for sale and discontinued operations

For the twelve months ended December 31, 2023, the Company applied judgement when classifying its M&N business line (Galtronics Korea and Galtronics Vietnam, formerly known as Asia Pacific business line, but excluding Galtronics Vietnam Dai Dong, whose assets were liquidated during the year), as held for sale. The Company evaluated whether the sale of M&N was highly probable and whether the sale would be completed within one year from the date of classification and not be abandoned.

Impairment of non-financial assets

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

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

Leases

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

Revenue recognition

The Company applies judgement related to recognizing revenue related to bill-and-hold arrangements. Judgment is applied to determine when control has transferred to the customer and thus the related revenue can be recognized. To determine whether control has transferred, the Company assess whether it has the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset being sold as well as prevent other entities from doing so.

Income taxes

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

Share-based payments

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

Deferred tax assets and liabilities

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

Provision for impairment of inventories

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

Going concern

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

The Group is subject to a court order requiring the Company to return $1.8 million, together with interest, to an escrow agent in connection with the acquisition of Satcom business in 2018. The order remains outstanding. The Company is currently negotiating a new credit facility with its existing lender. If the Group is unable to satisfy the order and complete negotiations of the new credit facility, its financial position would be severely impacted, raising doubt about its ability to continue as a going concern.

To address this material uncertainty, management:

- Has engaged in negotiations with relevant parties to seek a resolution that does not threaten the Group's financial viability.
- Continues to evaluate alternative financing options.

Despite these mitigating efforts, there remains a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. If no alternative financing or resolution is secured, the Group may be unable to continue in operational existence.

Management will continue to monitor developments closely and take all necessary actions to safeguard the Group's financial stability.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Interest rate risk

With respect to interest rate risk, the interest rate on the Credit Facilities is based on either US Base Rate or Canadian Prime Rate, which are both variable interest rates (see "Credit from banks and loans" on page 21 of this MD&A). As such, US Base Rate and Canadian Prime Rate are both 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 one percentage point increase in the interest rate applicable to the Credit Facilities will result in additional interest cost of approximately $0.2 million annually. The Company also has fair values risks related to exposure to changes in market interest rates on its Convertible Debentures and foreign exchange forward contracts.

Foreign exchange risk

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

During the twelve months ended December 31, 2024, the Company has been utilizing foreign exchange forward contracts to sell US dollars for Canadian dollars in order to partially mitigate its foreign currency risk. As at December 31, 2024, the Company had forward contracts in place to sell an aggregate US$5.98 million.

Credit risk

A significant portion of the Company's products are sold to a limited number of major customers located primarily in North America and Asia. The top three customers in any given year may not be the same top three customers in a previous or subsequent year. The loss of, or a significant reduction in, orders from one or more of our major customers would adversely affect the Company's business, results of operations and financial condition. The Company recognized an aggregate of 5% and 11% of revenue, directly and indirectly, from the Company's largest customer including its subcontractors for the fiscal year ended December 31, 2024 and December 31, 2023, respectively. The Company's strategy in managing this risk is to diversify its customer base by expanding its product portfolio and enhancing its sales and marketing efforts.

The Company and its subsidiaries typically extend 30 to 90-day credit terms to their customers and regularly monitor the credit extended to such customers and their general financial condition but do not require collateral as security for these receivables. The Company provides an allowance for expected credit losses based on the factors that affect the credit risk of certain customers, past experience and other information. The Company also assesses expected credit losses based on its judgement of whether customers are able to pay or to pay on time in order to determine whether additional credit losses are expected. The Company mitigates the credit risk by purchasing credit insurance primarily provided by Export Development Canada and Coface.

Liquidity risk

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

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

OUTSTANDING SHARE DATA

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

- 151,421,995 common shares;
- 68,000 10% Cumulative Redeemable Retractable Series A Preferred Shares;
- 8,105,182 stock options;
- 1,856,410 RSUs; and,
- 5,022,979 DSUs.

Up to 14,984,571 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 18,170,639 common shares. As at the date of this MD&A, 3,186,068 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 twelve months ended December 31, 2024 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

ADDITIONAL INFORMATION

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

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 19, 2025, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.