MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2025

Dated May 7, 2025

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three Months Ended March 31, 2025

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Baylin Technologies Inc. ("Baylin", the "Company", "we" or "us") was prepared by the Company's management. This MD&A should be read in conjunction with the audited consolidated financial statements of Baylin and related notes thereto for the year ended December 31, 2024 (the "Annual Financial Statements") and the unaudited interim condensed consolidated financial statements of Baylin and related notes thereto for the three months ended March 31, 2025 (the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to May 7, 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 non-cash 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.

   From the twelve months ended December 31, 2024, management 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 11 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.

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 March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Profit and Loss				
Revenue	**18,866**	20,053	(1,187)	(5.9%)
Gross profit	**8,003**	7,722	281	3.6%
Gross margin	**42.4%**	38.5%	3.9 pp	10.1%
Net loss from continuing operations	**(2,042)**	(1,972)	(70)	3.5%
Net loss from discontinued operations	-	(786)	786	(100.0%)
Net loss	**(2,042)**	(2,758)	716	(26.0%)
Basic and diluted net loss per share from continuing operations	**($0.01)**	($0.01)	$0.00	0.0%
Basic and diluted net loss per share from discontinued operations	-	($0.01)	$0.01	(100.0%)
Basic and diluted net loss per share	**($0.01)**	($0.02)	$0.01	(50.0%)
EBITDA* from continuing operations	**(525)**	(671)	146	(21.8%)
EBITDA* from discontinued operations	-	281	(281)	(100.0%)
EBITDA*	**(525)**	(390)	(135)	34.6%
Adjusted EBITDA* from continuing operations	**680**	460	220	47.8%
Adjusted EBITDA* from discontinued operations	-	(43)	43	(100.0%)
Adjusted EBITDA*	**680**	417	263	63.1%

	As at March 31, 2025	**As at March 31, 2024**	**Change**	**Change**	**As at March 31, 2025**	**As at December 31, 2024**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Balance Sheet and Other								
Current assets - Continuing operations	**35,072**	38,335	(3,263)	(8.5%)	**35,072**	37,292	(2,220)	(6.0%)
Current assets - Assets held for sale	-	9,576	(9,576)	(100.0%)	-	-	-	N/A
Total current assets	**35,072**	47,911	(12,839)	(26.8%)	**35,072**	37,292	(2,220)	(6.0%)
Total assets	**47,372**	63,978	(16,606)	(26.0%)	**47,372**	49,166	(1,794)	(3.6%)
Current liabilities - Continuing operations	**44,068**	43,291	777	1.8%	**44,068**	44,375	(307)	(0.7%)
Current liabilities - Liabilities related to assets held for sale	-	10,628	(10,628)	(100.0%)	-	-	-	N/A
Total current liabilities	**44,068**	53,919	(9,851)	(18.3%)	**44,068**	44,375	(307)	(0.7%)
Total liabilities	**57,825**	65,943	(8,118)	(12.3%)	**57,825**	57,689	136	0.2%
Net debt* from continuing operations	**12,096**	15,689	(3,593)	(22.9%)	**12,096**	14,271	(2,175)	(15.2%)
Backlog* from continuing operations	**32,502**	30,336	2,166	7.1%	**32,502**	30,195	2,307	7.6%

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

FIRST QUARTER SUMMARY

- Revenue of $18.9 million in the first quarter of 2025, a decrease of $1.2 million compared to the first quarter of 2024. The decrease was primarily due to softer demand in the Embedded Antenna and Satcom business lines in the first quarter of 2025, partially offset by strong sales volume increase in the Wireless Infrastructure business line compared to the prior year period.

- Despite the decrease in revenue, gross profit of $8.0 million in the first quarter of 2025, an increase of $0.3 million or 3.6% compared to the first quarter of 2024. The increase was mainly attributable to the Wireless Infrastructure business line which generated stronger revenue and favourable product mix compared to the prior year period.

- Gross margin (see "Non-IFRS Measures" on page 3 of this MD&A) of 42.4% in the first quarter of 2025 compared to 38.5% in the first quarter of 2024. The higher gross margin in the first quarter of 2025 was due to improved product mix mainly generated by higher sales of multibeam, small cell and innovative antennas from the Wireless Infrastructure business line.

- Adjusted EBITDA (see "Non-IFRS Measures" on page 3 of this MD&A) of $0.7 million in the first quarter of 2025, an increase of $0.2 million compared to the first quarter of 2024. The increase in Adjusted EBITDA in the first quarter of 2025 was primarily due to the increase in gross profit as discussed above.

- Net loss of $2.0 million in the first quarter of 2025 was largely consistent with the net loss in the first quarter of 2024. The net loss in the first quarter of 2025 was mainly due to an operating loss of $1.1 million plus interest and other finance expenses. On a per share basis, a net loss of $0.01 per share in the first quarter of 2025 compared to a net loss of $0.01 per share in the first quarter of 2024.

- Net debt (see "Non-IFRS Measures" on page 3 of this MD&A) of $12.1 million at March 31, 2025, a decrease of $2.2 million from December 31, 2024, primarily resulted from the cash generated by operating activities in the first quarter of 2025.

- Backlog (see "Non-IFRS Measures" on page 3 of this MD&A) of $32.5 million at March 31, 2025 compared to $30.2 million at December 31, 2024. The higher level of backlog was mainly due to an increase in new order intake across all business lines during the first quarter of 2025. Backlog was $29.4 million at April 30, 2025.

RECENT DEVELOPMENTS

Products

The Company's products continue to be used in a wide variety of applications. Wireless Infrastructure's innovative multibeam antennas continue to deliver value for its customers, particularly major carriers and third-party infrastructure operators. They are uniquely adept at handling high-capacity environments, such as indoor and outdoor stadiums. Satcom received a $0.9 million follow-on order for its high-power amplifiers from the US National Oceanic and Atmospheric Administration (NOAA). They will use the amplifiers to carry telemetry, tracking and control links for their fleet of geostationary weather observation satellites.

Credit Facilities

The Company and its principal lender have agreed to another short-term extension of the Company's revolving credit facility from April 30, 2025 to May 30, 2025. The Company had expected to negotiate a longer extension but uncertainty caused by US import tariffs delayed the negotiation process. The Company expects that the current one-month extension will enable it to complete negotiation of a new credit agreement to extend the revolving credit facility until April 30, 2026.

Litigation Settlement

The Company has settled certain litigation involving two former principals of Alga Microwave Inc. and entities related to them. For further details, see Note 8 to the Company's Interim Financial Statements.

Share Consolidation

In March 2025, the Board of Directors approved a consolidation (the "Consolidation") of the Company's outstanding common shares on the basis of 40 pre-Consolidation common shares for one post-Consolidation common share. The Consolidation is subject to shareholder approval at the Company's Annual and Special Meeting on May 8, 2025. The Consolidation also requires approval of the Toronto Stock Exchange.

OUTLOOK

The Company has now achieved five consecutive quarters of positive Adjusted EBITDA and has consistently improved gross margins since the first quarter of 2024 other than the fourth quarter of 2024, which was primarily due to soft performance by Satcom. The Wireless Infrastructure business line continued its strong financial performance, exceeding plan again, by delivering strong results in the first quarter of 2025, with substantial increases in revenue, gross profit and Adjusted EBITDA compared to the prior year period. The Embedded Antenna and Satcom business lines fell below expectations in the first quarter of 2025, which was largely impacted by reduced customer demand as a result of market fluctuations and global economic uncertainty. The macroeconomic environment in 2025 remains a concern, principally due to the high level of uncertainty concerning the impacts of US tariffs and retaliatory tariffs from the countries subject to US tariffs, changes in customer purchasing behaviour driven by uncertainty over tariffs, as well as the overall level of inflation and interest rates. 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. Based on our current assessment, we expect revenue from the Wireless Infrastructure business line will further grow in 2025 but with higher tariff costs resulting in a combined financial performance comparable to 2024, which was a very strong year. The Embedded Antenna and Satcom business lines are currently expected to deliver lower revenue than 2024 due to uncertainty over the effect of tariffs and customer delays. 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 perform at reasonable levels over the remainder of 2025 albeit potentially lower than or in line with 2024 revenue. While the backlog of purchase orders remains at its highest level in the business' history, order flow through due to uncertainty on tariffs is having an impact on revenue attainment in the first half of 2025. The number of active bids for new projects remains at a strong level.

Wireless Infrastructure Business Line

Wireless Infrastructure had a very strong first quarter of 2025 compared to each of the preceding four quarters in 2024. We expect strong sales of its higher margin multibeam and innovative small cell antennas as well as stadium deployments will continue in the remainder of 2025. 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 with multibeam antenna sales in Europe and Mexico. 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. However, gross margin of the Wireless Infrastructure business line is likely to be adversely affected by the US tariff currently imposed on imports from China. See "Tariffs" below.

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.

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.

Satcom has taken steps to better align its cost structure to reflect its lower revenue and production volume. In April 2025, it temporarily laid off approximately 30 workers at its facility in Quebec, which will result in savings of approximately $0.2 million per month. Employees will be recalled if and when business conditions improve. Additionally, since the majority of Satcom's products are made in Quebec, we expect the Canada-United States-Mexico Agreement ("CUSMA", also called "USMCA" in the United States) tariff exemption applies to the vast majority, if not all, of the satellite communications products produced there. See "Tariffs" below.

Tariffs

The Company's business is being significantly affected by uncertainty over the timing, level, duration and extent of US tariffs. Currently, Canadian goods other than those that are compliant with the CUSMA are subject to a 25% tariff, with a lower tariff rate for non-CUSMA compliant energy and potash. On April 2, 2025, the US President announced a sweeping set of new reciprocal tariffs on almost all foreign imports to the US, including some of the US's major trading partners such as China and Vietnam. As of now, the US has imposed a 145% tariff on imports from China, with some exemptions, and different reciprocal tariff rates on a number of other countries. With the exception of China, a 90-day pause on their tariffs was put into effect by the US.

The Company is proactively taking steps to mitigate the effect of the tariffs across all of its business lines.

The Embedded Antenna business line is not expected to be directly affected by the increase in the China tariff. This has been our experience with the previous US tariffs levied on imports from China starting in 2018. Although Embedded Antenna's 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. There remains a risk that the new tariffs on other Asian countries, if resumed after the 90-day pause, could impact future order volumes for Embedded Antenna's products as well as result in requests for some price concessions. Additionally, if end customer demand declines due to the inflationary impact of tariffs, the Embedded Antenna business may be indirectly impacted in revenue attainment.

Wireless Infrastructure's products are also manufactured in our facility in China and are then purchased by Galtronics USA for delivery to customers in various jurisdictions, including the United States. Products shipped into the US enter under a US Harmonized Tariff Schedule (HTS) code that subjects them to the 25% tariff on imports of steel and aluminum based on the value of those metals. According to the US Customs and Border Protection's public information on application of the 25% steel and aluminum tariff, the pre-reciprocal tariff on goods from China of 27.5% continues to apply (but not the increased reciprocal tariff on goods from China). When the steel and aluminum tariff is applied to the value of steel and aluminum of Wireless Infrastructure's products, the effective tariff rate is approximately 30.5% and not the maximum 145% on imports from China generally. This result has also been evidenced by containers recently cleared through customs by the US Customs and Border Protection. There is a risk that the US Customs and Border Protection will change the basis on which it applies the tariffs to our products. In that case, the higher tariff is expected to result in Wireless Infrastructure incurring a higher cost of sales and thus reduce the gross margin for this business line. We are working with our US customers and taking other appropriate 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. Although we believe Satcom's products are compliant with the CUSMA and therefore are not subject to the 25% Canada tariff, we are assessing other measures to mitigate the effect of the Canada tariff, particularly if this exemption is removed in the future. This may include a change in the structure and operation of Satcom's business so that its products will remain competitive in the US market. Despite Satcom's products being compliant with the CUSMA, the uncertainty surrounding the effect of the Canada tariff and other tariffs generally could result in delays or cancellations of existing orders and reduced new orders for Satcom's products, impacting Satcom's backlog and its revenue attainment.

There can be no assurance (i) as to the timing, level, duration or extent of the existing or new tariffs or the temporary or permanent nature of them or (ii) that our efforts to 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.

DISCUSSION OF CONTINUING OPERATIONS

Revenue and Gross Profit

(in $000's)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**18,866**	**20,053**	**(1,187)**	**(5.9%)**
Cost of sales	10,863	12,331	(1,468)	(11.9%)
Gross profit	**8,003**	**7,722**	**281**	**3.6%**
Gross margin	42.4%	38.5%		

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) First Quarter of 2025 compared to First Quarter of 2024

The Company's revenue was $18.9 million in the first quarter of 2025 compared to $20.1 million in the first quarter of 2024, representing a decrease of $1.2 million or 5.9%. The decrease was primarily due to sales volume decrease in the Embedded Antenna and Satcom business lines in the first quarter of 2025, partially offset by an increase in the Wireless Infrastructure business line compared to the prior year period.

Despite the decrease in revenue, gross profit was $8.0 million in the first quarter of 2025, an increase of $0.3 million compared to the first quarter of 2024. Gross margin was 42.4% in the first quarter of 2025 compared to 38.5% in the first quarter of 2024. The higher gross margin in the first quarter of 2025 was mainly attributable to Wireless Infrastructure business line which generated stronger revenue and favourable product mix compared to the prior year period.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,041	1,052	(11)	(1.0%)
Other	774	772	2	0.3%
Total	**1,815**	**1,824**	**(9)**	**(0.5%)**
As a percentage of revenue	9.6%	9.1%		

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

a) *Factors affecting Selling and Marketing Expenses*

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

b) *First Quarter of 2025 compared to First Quarter of 2024*

The Company's selling and marketing expenses in the first quarter of 2025 were $1.8 million (9.6% of revenue) compared to $1.8 million (9.1% of revenue) in the first quarter of 2024. The selling and marketing expenses in the first quarter of 2025 were largely consistent with the prior year period.

Research and Development Expenses

(in $000's)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Research and development costs	3,041	2,864	177	6.2%
Depreciation	90	100	(10)	(10.0%)
Total	**3,131**	**2,964**	**167**	**5.6%**
As a percentage of revenue	16.6%	14.8%		

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) *First Quarter of 2025 compared to First Quarter of 2024*

The Company's R&D expenses in the first quarter of 2025 were $3.1 million (16.6% of revenue) compared to $3.0 million (14.8% of revenue) in the first quarter of 2024. The higher R&D expenses in the first quarter of 2025 were mainly due to higher payroll and engineering costs incurred for new products development compared to the prior year period.

General and Administrative Expenses

(in $000's)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,563	1,635	(72)	(4.4%)
Other	2,398	2,361	37	1.6%
Depreciation	229	222	7	3.2%
Amortization	-	80	(80)	(100.0%)
Total	**4,190**	**4,298**	**(108)**	**(2.5%)**
As a percentage of revenue	22.2%	21.4%		

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 G&A non-current assets.

b) First Quarter of 2025 compared to First Quarter of 2024

The Company's G&A expenses in the first quarter of 2025 were $4.2 million (22.2% of revenue) compared to $4.3 million (21.4% of revenue) in the first quarter of 2024. The decrease in G&A expenses in the first quarter of 2025 was primarily due to lower payroll expenses as a result of lower number of administrative employees compared to the prior year period.

Operating Loss and Net Loss

(in $000's except per share amounts)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating loss	**(1,133)**	**(1,364)**	**231**	**(16.9%)**
Finance expense, net	1,194	339	855	> 100.0%
Investment expense, net	53	45	8	17.8%
Fair value adjustments	(296)	160	(456)	N/A
Loss before income taxes	**(2,084)**	**(1,908)**	**(176)**	**9.2%**
Tax expense (recovery)	(42)	64	(106)	N/A
Net loss	**(2,042)**	**(1,972)**	**(70)**	**3.5%**
Basic and diluted net loss per share	($0.01)	($0.01)	$0.00	0.0%

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) First Quarter of 2025 compared to First Quarter of 2024

The Company's operating loss in the first quarter of 2025 was $1.1 million compared to $1.4 million in the first quarter of 2024. The decrease in operating loss in the first quarter of 2025 was mainly due to the increase in gross profit as discussed above, while operating expenses remained largely consistent with the prior year period.

The Company's net loss in the first quarter of 2025 was $2.0 million compared to a net loss of $2.0 million in the first quarter of 2024. The net loss in the first quarter of 2025 was mainly due to the operating loss of $1.1 million as well as interest and other finance expenses. On a per share basis, the first quarter of 2025 produced a net loss of $0.01 per share compared to a net loss of $0.01 per share in the first quarter of 2024.

EBITDA and Adjusted EBITDA

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

Reconciliation from Net Loss to EBITDA and Adjusted EBITDA

(in $000's)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Net loss	**(2,042)**	**(1,972)**	**(70)**	**3.5%**
Plus:				
Tax expense (recovery)	(42)	64	(106)	N/A
Interest and other finance expense	951	544	407	74.8%
Depreciation and Amortization	608	693	(85)	(12.3%)
EBITDA	**(525)**	**(671)**	**146**	**(21.8%)**
Adjustments to EBITDA	1,205	1,131	74	6.5%
Adjusted EBITDA	**680**	**460**	**220**	**47.8%**

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) *First Quarter of 2025 compared to First Quarter of 2024*

The Company's EBITDA in the first quarter of 2025 was -$0.5 million compared to -$0.7 million in the first quarter of 2024. The Adjusted EBITDA in the first quarter of 2025 was $0.7 million compared to $0.5 million in the first quarter of 2024. The adjustments to EBITDA amounting to $1.2 million in the first quarter of 2025 and $1.1 million in the first quarter of 2024 are detailed in the table below.

Adjustments to EBITDA

(in $000's)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses relating to sale of a business line (1)	13	80	(67)	(83.8%)
Legal expenses relating to non-operating activities (2)	47	174	(127)	(73.0%)
Severance and recruiting expenses (3)	158	173	(15)	(8.7%)
Share-based compensation (4)	987	704	283	40.2%
Total	**1,205**	**1,131**	**74**	**6.5%**

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

The Company's Adjusted EBITDA in the first quarter of 2025 and 2024 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.

(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.

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

(4) 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)

	2025	2024				2023		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$	$	$	$	$	$	$	$
Profit and Loss								
Revenue	**18,866**	20,792	20,709	22,035	20,053	16,129	16,860	21,307
Gross profit	**8,003**	7,888	9,542	9,238	7,722	5,681	6,607	8,492
Gross margin	**42.4%**	37.9%	46.1%	41.9%	38.5%	35.2%	39.2%	39.9%
Net income (loss) from continuing operations	**(2,042)**	(4,942)	(1,414)	(132)	(1,972)	(6,947)	(2,352)	218
Net income (loss) from discontinued operations	-	3,706	(857)	(1,457)	(786)	(1,132)	(1,012)	(1,461)
Net loss	**(2,042)**	(1,236)	(2,271)	(1,589)	(2,758)	(8,079)	(3,364)	(1,243)
Basic and diluted net income (loss) per share from continuing operations	**($0.01)**	($0.03)	($0.01)	($0.00)	($0.01)	($0.07)	($0.01)	$0.00
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)
Basic and diluted net loss per share	**($0.01)**	($0.00)	($0.02)	($0.01)	($0.02)	($0.08)	($0.02)	($0.02)
EBITDA* from continuing operations	**(525)**	(3,769)	1,109	1,514	(671)	(4,547)	(1,434)	1,094
EBITDA* from discontinued operations	-	(426)	(659)	(580)	281	(976)	(10)	(684)
EBITDA*	**(525)**	(4,195)	450	934	(390)	(5,523)	(1,444)	410
Adjusted EBITDA* from continuing operations	**680**	1,816	857	2,273	460	(2,047)	(779)	1,050
Adjusted EBITDA* from discontinued operations	**-**	(426)	(659)	(580)	(43)	(650)	(10)	(968)
Adjusted EBITDA*	**680**	1,390	198	1,693	417	(2,697)	(789)	82
Balance Sheet and Other*								
Current assets - Continuing operations	**35,072**	37,292	36,478	37,044	38,335	35,346	48,695	49,267
Current assets - Assets held for sale	-	-	7,069	8,581	9,576	7,885	-	400
Total current assets	**35,072**	37,292	43,547	45,625	47,911	43,231	48,695	49,667
Total assets	**47,372**	49,166	58,454	60,993	63,978	59,710	68,959	70,643
Current liabilities - Continuing operations	**44,068**	44,375	41,769	41,296	43,291	38,955	64,976	63,522
Current liabilities - Liabilities related to assets held for sale	-	-	8,999	10,547	10,628	8,854	-	-
Total current liabilities	**44,068**	44,375	50,768	51,843	53,919	47,809	64,976	63,522
Total liabilities	**57,825**	57,689	63,796	64,728	65,943	59,746	73,850	72,940
Net debt* from continuing operations	**12,096**	14,271	15,034	16,641	15,689	12,787	26,935	23,725
Backlog* from continuing operations	**32,502**	30,195	30,227	32,603	30,336	31,156	30,659	32,275

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

*** Balance Sheet as at the end of the fourth quarter of 2023 and the subsequent quarters 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 and the second quarter of 2023 does not reflect such reclassification, which makes the comparison against the recent six quarter-end results not applicable (except for "Total assets" and "Total liabilities").*

The Company has achieved five consecutive quarters of positive Adjusted EBITDA since the first quarter of 2024, and the Company's net debt dropped to the lowest level at the end of the first quarter of 2025 compared to the preceding seven quarter-end results.

CASH FLOWS

(in $000's)

	Three Months Ended March 31,			
	2025	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Cash flows (used in) generated from:				
Operating activities	2,679	(1,978)	4,657	N/A
Investing activities	(1)	(61)	60	(98.4%)
Financing activities	(1,737)	304	(2,041)	N/A
Net cash inflows (outflows) from continuing operations	941	(1,735)	2,676	N/A
Net cash inflows (outflows) from discontinued operations	-	(703)	703	(100.0%)
Effect of foreign exchange differences	17	347	(330)	(95.1%)
Net cash inflows (outflows)	958	(2,091)	3,049	N/A
Cash and cash equivalents at the beginning of period	5,006	4,903	103	2.1%
Cash and cash equivalents at the end of period	5,964	2,812	3,152	> 100.0%

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

Operating Activities

Cash generated from operating activities was $2.7 million in the first quarter of 2025 compared to $2.0 million used in the first quarter of 2024. The higher cash inflows from operating activities in the first quarter of 2025 was primarily due to stronger financial performance and a decrease in working capital compared to the prior year period.

Investing Activities

Cash used in investing activities was close to nil in the first quarter of 2025 compared to $0.1 million used in the first quarter of 2024. The minimal cash used for investing activities was mainly 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 $1.7 million in the first quarter of 2025 compared to $0.3 million generated in the first quarter of 2024. Cash used in financing activities in the first quarter of 2025 was the result of the Company's efforts to utilize cash generated from operations to reduce the drawn amount from the revolving credit facility, which also resulted in a lower interest expense.

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 March 31, 2025	**As at December 31, 2024**	**Change**	**Change**
	$	**$**	**$**	**%**
Total Debt	18,060	19,277	(1,217)	(6.3%)
Less: Cash and cash equivalents	5,964	5,006	958	19.1%
Net Debt	**12,096**	**14,271**	**(2,175)**	**(15.2%)**

The Company had net debt at March 31, 2025 and December 31, 2024 of $12.1 million and $14.3 million, respectively. The decrease in net debt was primarily due to an increase in cash generated from working capital movements, partially offset by lease payments and debt interest payments during the three months ended March 31, 2025.

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 15 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 March 31, 2025, the Company's CCC was 39 days compared to 57 days as at December 31, 2024. The decrease was mainly attributable to shorter days sales outstanding in the Wireless Infrastructure business line, largely as a result of faster collection in trade receivables from certain customers. In the first quarter of 2025, the Company successfully enrolled in early payment programs provided by certain Wireless Infrastructure customers.

During the three months ended March 31, 2025, working capital decreased by $3.1 million, primarily as a result of the following factors:

a) Decrease in trade receivables of $3.6 million, mainly due to lower sales from the Satcom business line in the latter part of first quarter of 2025, along with faster collection in trade receivables from certain Wireless Infrastructure customers as discussed above; partially offset by:
b) Increase in trade payables and other current liabilities of $0.2 million, due in part to increased production volumes in the Embedded Antenna and Wireless Infrastructure business lines as a result of an increase in new sales order demand in the latter part of first quarter of 2025.

Commitment for capital expenditures

As at March 31, 2025, 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 "Lender") pursuant to which the Lender 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 March 31, 2025, the interest rate applied to the Revolving Facility was 10.50% per annum on US dollar advances and 7.45% 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 March 31, 2025, the Company's aggregate credit facilities were $20.9 million, of which $18.1 million was drawn and utilized, including $12.9 million under the Revolving Facility.

The Credit Agreement has previously been amended, most recently as of April 29, 2025. The effect of the amendments is that:

- the maturity date of the Revolving Facility has been extended to May 30, 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 Lender's 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 Lender.

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 March 31, 2025 and March 31, 2024:

	Number of DSUs	**Weighted Average Price**
DSUs outstanding as at January 1, 2025	5,022,979	$0.51
DSUs granted during 2024 up to March 31, 2025	269,232	$0.26
DSUs outstanding as at March 31, 2025	5,292,211	$0.50

	Number of DSUs	**Weighted Average Price**
DSUs outstanding as at January 1, 2024	2,451,727	$0.77
DSUs granted during 2023 up to March 31, 2024	1,980,557	$0.25
DSUs outstanding as at March 31, 2024	4,432,284	$0.54

The Company recognized a DSU expense of $0.1 million during the three months ended March 31, 2025, which was included in G&A expenses.

Stock Option Grants

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

The table below summarizes stock option grants as at March 31, 2025:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at March 31, 2025	Options vested as at December 31, 2024	Options exercised, surrendered, expired or cancelled as at March 31, 2025	Options net outstanding as at March 31, 2025
May 21, 2019	270,000	$3.57	May 21, 2024	250,000	250,000	270,000	-
Mar. 21, 2022	2,285,000	$0.79	Mar. 21, 2027	761,667	761,667	2,135,000	150,000
May 23, 2022	150,000	$0.59	May 23, 2027	54,182	54,182	95,818	54,182
Sep. 26, 2022	5,000	$0.33	Sep. 26, 2027	3,333	3,333	-	5,000
Nov. 21, 2022	14,000	$0.21	Nov. 21, 2027	3,333	6,667	4,000	10,000
May 23, 2023	3,000	$0.39	May 23, 2028	1,000	2,000	-	3,000
Jun. 30, 2023	3,456,000	$0.36	Jun. 30, 2028	1,127,000	1,127,000	475,000	2,981,000
Mar. 31, 2024	4,950,000	$0.25	Mar. 31, 2029	1,650,000	-	150,000	4,800,000
May 20, 2024	52,000	$0.25	May 20, 2029	-	-	-	52,000
	11,185,000			3,850,515	2,204,849	3,129,818	8,055,182

The Company recognized a stock option expense of $0.2 million during the three months ended March 31, 2025, 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 March 31, 2025:

(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)	17,594	-	-	-	17,594
Long-term loans (2)	-	466	-	-	466
Inventory purchase commitments (3)	3,581	1,349	-	-	4,930
Lease payment obligations (4)	887	2,904	1,137	2,873	7,801
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)	238	-	-	-	238
Total Contractual Obligations	**22,905**	**12,261**	**1,137**	**2,873**	**39,176**

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 6 to the Interim Financial Statements for the three months ended March 31, 2025.

(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 6 to the Interim Financial Statements for the three months ended March 31, 2025.

(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.

(5) Represents the total mark-to-market value of the Company's available 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 $1.3 million for the three months ended March 31, 2025 compared to $1.4 million for the three months ended March 31, 2024. These amounts comprise of executive officers' salary and benefits earned during the period, plus bonuses awarded for the period. These amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the service for current period.

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 2025 and 2024.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

For a detailed review of critical accounting estimates associated with the Company, refer to the "Significant Accounting Judgments, Estimates And Assumptions" section of the Company's MD&A for the three and twelve months ended December 31, 2024, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

There were no changes to our critical accounting estimates in financial reporting during the three months ended March 31, 2025.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

With respect to interest rate risk, the interest rate on the Credit Facilities is based on either US Base Rate or Canadian Prime Rate, which are both variable interest rates (see "Credit from banks and loans" on page 15 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.

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

During the three months ended March 31, 2025, 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 March 31, 2025, the Company had forward contracts in place to sell an aggregate US$3.45 million.

For further review of the other financial risks associated with the Company, refer to the "Risk Management and Financial Instruments" section of the Company's MD&A for the three and twelve months ended December 31, 2024, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

Except as set forth in this MD&A and the notes to our unaudited interim condensed consolidated financial statements, there were no additional risks identified during the three months ended March 31, 2025, and there were no changes to our use of financial instruments during the three months ended March 31, 2025.

OUTSTANDING SHARE DATA

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

- 151,560,218 common shares;
- 68,000 10% Cumulative Redeemable Retractable Series A Preferred Shares;
- 8,055,182 stock options;
- 1,856,410 RSUs; and,
- 5,292,211 DSUs.

Up to 15,203,803 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 18,187,226 common shares. As at the date of this MD&A, 2,983,423 common shares are available to be issued under the Omnibus Plan.

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

There were no changes in our internal control over financial reporting during the three months ended March 31, 2025 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.