



BAYLIN TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2025

(Canadian dollars in thousands)

UNAUDITED

Notice of Unaudited Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements of Baylin Technologies Inc. ("Baylin") for the three and six months ended June 30, 2025 have been prepared by management. Baylin's independent auditor has not performed an audit of these interim condensed consolidated financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for an audit of interim financial statements by an entity's auditors.

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Date of approval of consolidated financial statements: August 6, 2025

“Jeffrey C. Royer”

“Leighton Carroll”

“Cliff Gary”

Jeffrey C. Royer

Leighton Carroll

Cliff Gary

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

Canadian dollars in thousands

	June 30, 2025	December 31, 2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,290	\$ 5,006
Trade and other receivables	12,831	15,047
Inventories	13,122	14,739
Other current assets	3,113	2,500
Total current assets	33,356	37,292
NON-CURRENT ASSETS		
Property, plant and equipment	2,769	3,425
Right of use assets	7,352	6,954
Equity method investment	139	222
Other long-term assets	1,208	1,273
Total non-current assets	11,468	11,874
TOTAL ASSETS	\$ 44,824	\$ 49,166
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Credit from banks	\$ 16,616	\$ 18,695
Accounts payable and accrued liabilities	19,804	22,342
Provision pursuant to escrow agreement	2,187	2,031
Foreign exchange forward contracts	-	392
Short-term portion of lease liabilities	838	590
Income tax payable	183	325
Total current liabilities	39,628	44,375
NON-CURRENT LIABILITIES		
Long-term portion of lease liabilities	6,653	6,337
Long-term loans	598	582
Convertible debentures	4,561	4,472
Preferred shares	1,700	1,700
Deferred tax liabilities	140	66
Other long-term liabilities	176	157
Total non-current liabilities	13,828	13,314
TOTAL LIABILITIES	53,456	57,689
SHAREHOLDERS' DEFICIT		
Share capital	188,190	187,871
Share-based payment reserve	10,662	9,313
Accumulated other comprehensive income	7,640	8,375
Accumulated deficit	(215,124)	(214,082)
TOTAL DEFICIT	(8,632)	(8,523)
TOTAL LIABILITIES AND DEFICIT	\$ 44,824	\$ 49,166

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (unaudited)

Canadian dollars in thousands except per share and weighted average share figures

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Revenues	\$ 22,456	\$ 22,035	\$ 41,322	\$ 42,088
Cost of sales	12,051	12,797	22,914	25,128
Gross profit	10,405	9,238	18,408	16,960
Operating expenses				
Selling and marketing expenses	1,780	1,918	3,595	3,742
Research and development expenses	3,111	2,815	6,242	5,779
General and administrative expenses	3,757	3,686	7,947	7,984
	8,648	8,419	17,784	17,505
Operating income (loss)	1,757	819	624	(545)
Finance expense, net	522	494	1,716	833
Investment income, net	31	58	84	103
Fair value adjustments	(31)	64	(327)	224
Income (loss) before income taxes	1,235	203	(849)	(1,705)
Income tax expense	235	335	193	399
Net income (loss) from continuing operations	\$ 1,000	\$ (132)	\$ (1,042)	\$ (2,104)
Net loss from discontinued operations	-	(1,457)	-	(2,243)
Net income (loss)	\$ 1,000	\$ (1,589)	\$ (1,042)	\$ (4,347)
Items that may be reclassified to profit or loss - continuing operations				
Amount arising from translation of foreign operations, net of tax	(444)	7,445	(735)	1,258
Items that may be reclassified to profit or loss - discontinued operations				
Amount arising from translation of foreign operations, net of tax	-	(8,054)	-	(1,667)
Other comprehensive loss	\$ (444)	\$ (609)	\$ (735)	\$ (409)
Total comprehensive income (loss)	\$ 556	\$ (2,198)	\$ (1,777)	\$ (4,756)
Basic and diluted net income (loss) per common share - Continuing operations	\$ 0.01	\$ -	\$ (0.01)	\$ (0.02)
Basic and diluted net loss per common share - Discontinued operations	\$ -	\$ (0.01)	\$ -	\$ (0.01)
Basic and diluted net loss per common share	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average shares outstanding	151,992,901	150,969,751	151,709,789	150,920,343

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

Canadian dollars in thousands except number of shares outstanding

	Number of common shares outstanding	Share capital	Share- based payment reserve	Accumulated Deficit	Accumulated other comprehensive income	Total equity (deficit)
Balance as of January 1, 2025	151,421,995	\$ 187,871	\$ 9,313	\$ (214,082)	\$ 8,375	\$ (8,523)
Net loss	-	-	-	(1,042)	-	(1,042)
Other comprehensive loss	-	-	-	-	(735)	(735)
Share-based payment	-	-	1,349	-	-	1,349
Share issuances	1,106,243	319	-	-	-	319
Balance as of June 30, 2025	<u>152,528,238</u>	<u>\$ 188,190</u>	<u>\$ 10,662</u>	<u>\$ (215,124)</u>	<u>\$ 7,640</u>	<u>\$ (8,632)</u>

	Number of common shares outstanding	Share capital	Share- based payment reserve	Accumulated Deficit	Accumulated other comprehensive income	Total equity (deficit)
Balance as of January 1, 2024	150,823,586	\$ 187,767	\$ 7,728	\$ (206,657)	\$ 11,126	\$ (36)
Net loss	-	-	-	(4,347)	-	(4,347)
Other comprehensive income	-	-	-	-	(409)	(409)
Share-based payment	-	-	1,057	-	-	1,057
Share issuances	294,094	-	-	-	-	-
Balance as of June 30, 2024	<u>151,117,680</u>	<u>\$ 187,767</u>	<u>\$ 8,785</u>	<u>\$ (211,004)</u>	<u>\$ 10,717</u>	<u>\$ (3,735)</u>

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

Canadian dollars in thousands

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Cash flows from operating activities				
Net income	\$ 1,000	\$ (132)	\$ (1,042)	\$ (2,104)
Adjustments to reconcile net loss from continuing operations to net cash generated by operating activities				
Share-based payment	1,265	428	1,668	1,057
Depreciation	581	615	1,189	1,228
Finance expense, net	522	494	1,716	833
Bonus provision	754	-	1,331	-
Share of net loss of equity method investment	31	58	84	103
Income tax expense	235	335	193	399
Fair value adjustment	(32)	65	(327)	224
Unrealized foreign exchange (gain) loss	(278)	(61)	(691)	104
	3,078	2,014	5,163	4,108
Changes in asset and liability items				
Decrease (increase) in trade receivables	(1,791)	650	1,763	(5,613)
Decrease (increase) in other current assets	728	39	355	(25)
Decrease in inventories	1,261	627	1,378	2,006
Increase (decrease) in trade payables and other current liabilities	(3,308)	(2,017)	(3,458)	1,349
	(3,110)	(701)	38	(2,283)
Cash paid and received during the year for				
Interest paid, net	(727)	(688)	(1,208)	(1,206)
Taxes paid, net	(53)	(63)	(84)	(63)
	(780)	(751)	(1,292)	(1,269)
Net cash generated by (used in) operating activities - operating activities	188	430	2,867	(1,548)
Net cash used in operating activities - discontinued operations	-	(543)	-	(1,246)
Net cash generated by (used in) operating activities	\$ 188	\$ (113)	\$ 2,867	\$ (2,794)
Cash flows from investing activities				
Purchase of property, plant and equipment	\$ (26)	\$ (5)	\$ (27)	\$ (66)
Net cash used in investing activities	\$ (26)	\$ (5)	\$ (27)	\$ (66)
Cash flows from financing activities				
Borrowing (repayment) from credit from banks and term loans	\$ (1,421)	\$ 501	\$ (2,959)	\$ 1,040
Principal elements of lease payments	(229)	(235)	(428)	(470)
Net cash generated by (used in) financing activities	(1,650)	266	(3,387)	570
Exchange differences on balances of cash and cash equivalents	(186)	(219)	(169)	128
Decrease in cash and cash equivalents	\$ (1,674)	\$ (71)	\$ (716)	\$ (2,162)
Cash and cash equivalents at the beginning of the period	5,964	2,812	5,006	4,903
Cash and cash equivalents at the end of the period	\$ 4,290	\$ 2,741	\$ 4,290	\$ 2,741

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

Baylin Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Canadian dollars in thousands, except per share amounts

NOTE 1: NATURE OF OPERATIONS

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

Baylin, together with its subsidiaries (collectively, the “Company” or the “Group”), is a diversified global wireless technology company focused on the research, design, development, manufacture and sale of passive and active radio frequency (“RF”) 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. Baylin's common shares and convertible debentures are publicly traded on the Toronto Stock Exchange (TSX: BYL and BYL.DB).

Approval of financial statements

These interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2025 have been prepared by management of Baylin and were authorized for issuance in accordance with a resolution of the board of directors passed on August 6, 2025.

NOTE 2: BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three and six months ended June 30, 2025 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2024 (the “Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Going Concern Assumption

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Material Uncertainty Related to Going Concern

The Group is subject to a court order requiring the Company to return \$1,826, together with interest, to an escrow agent in connection with the acquisition of Advantech in 2018 (Note 8). The order remains outstanding. If the Group is unable to satisfy the order, its financial position would be severely impacted, raising doubt about its ability to continue as a going concern. Accordingly, there remains a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Based on the current assessment, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if the Group were unable to continue as a going concern and such adjustments would be material.

Baylin Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Canadian dollars in thousands, except per share amounts

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

As of June 30, 2025 there have been no material changes to the significant accounting policies as outlined in Note 3 of the Annual Financial Statements, except as disclosed in Note 4.

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

New standards and amendments adopted

Certain new standards and amendments that have an impact on the interim condensed consolidated financial statements of the Company and became effective on January 1, 2025 are as follows:

On August 15, 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21) to provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

New standards and interpretations not yet adopted

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

In May 2024, the IASB issued Classification and Measurement Financial Instruments (Amendment to IFRS 9 and IFRS 7) to provide to clarify the timing or recognition and derecognition of some financial assets and liabilities and assessing whether a financial asset meets the solely payments of principal and interest criterion. It also added new disclosures for certain instruments with contractual terms that can change cash flows and equity instruments designated at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026.

In April 2024, the IASB issued Presentation and Disclosure in Financial Statements (Amendment to IFRS 18) to provide further guidance on the structure of the statement of profit and loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside the Company's financial statements and principles on aggregation and disaggregation of information in the financial statements. The amendments are effective for reporting periods beginning on or after January 1, 2027.

In July 2024, the IASB issued Annual improvements to IFRS - Volume 11 (Amendments to IFRS 1, 7, 9, 10 and IAS 7) to add clarity to the standards. The amendments are effective for reporting periods beginning on or after January 1, 2026.

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

Baylin Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Canadian dollars in thousands, except per share amounts

NOTE 5: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

There have been no significant changes to the Company's accounting judgments, estimates and assumptions made since the annual financial reporting for the year ended December 31, 2024.

NOTE 6: CREDIT FROM BANKS AND LOANS

Canada

On May 29, 2025, the Company entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with Royal Bank of Canada, which continued the Company's existing \$15,000 revolving credit facility (the "Revolving Facility"). The Credit Agreement amended and restated the original credit agreement dated March 29, 2019. The Revolving Facility matures on January 31, 2026.

The Revolving Facility is guaranteed by the Company's subsidiaries and is 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 also includes other customary positive and negative covenants (including limitations on changes to business, additional debt, dispositions, investments, distributions, capital expenditures and financial assistance), and customary events of default for a facility of this type.

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 (as defined in the Credit Agreement). Interest is payable monthly in arrears.

The Revolving Facility is available in both US dollars and Canadian dollars. As at June 30, 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 the Revolving Facility as well as revolving credit facilities with a bank domiciled in China, as needed. As at June 30, 2025, the Company's aggregate credit facilities were \$20,712, of which \$16,616 was drawn and is recorded in credit from banks and \$598 is recorded in long-term loan in the statement of financial position including \$11,885 under the Revolving Facility (December 31, 2024 - \$13,967). As at December 31, 2024, the aggregate revolving credit facilities of the Group were approximately \$20,913, of which \$18,695 was drawn and utilized and is recorded in credit from banks and liabilities related to assets held for sale in the statement of financial position.

The Credit Agreement included the following financial-related covenants:

- the Company is required to maintain a minimum Liquidity (as defined in the Credit Agreement) determined monthly of \$3,000 until maturity of the Revolving Facility;
- the Company is required to maintain a minimum EBITDA for the trailing twelve months ending June 30, September 30 and December 31, 2025 of \$4,000, \$4,300 and \$2,700, respectively;
- the maximum availability under the Revolving Facility is \$15,000; and
- at any time the Senior Debt to EBITDA Ratio is equal to or more than 2.75:1.00, the margin on advances under the Revolving Facility is 2.50% and the standby fee is 0.70%.

Baylin Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Canadian dollars in thousands, except per share amounts

China

In May 2023, the Company's Chinese subsidiary arranged a Yuan equivalent \$5,712 short-term multiple tranche credit facility with the Bank of Ningbo. In May 2024, the credit facility was restructured into two separate credit facilities, a short-term multiple tranche credit facility with Bank of Ningbo and a sale and leaseback facility with Yongying Financial Lease Co., Ltd., a subsidiary of Bank of Ningbo.

The short-term multiple tranche credit facility is secured by the subsidiary's land use rights and building in China. As at June 30, 2025, \$4,182 was outstanding under this facility (December 31, 2024 - \$4,217). The sale and leaseback is secured by substantially all the subsidiary's productive machinery and equipment. The Company's Chinese subsidiary renewed its sale and leaseback facility with Bank of Ningbo on June 20, 2025 for a new three-year term with an interest rate of 3.90%. As at June 30, 2025, \$1,334 was outstanding under this facility with \$549 recorded in credit from banks and \$785 recorded in long-term loans in the statement of financial position (December 31, 2024 - \$1,094 was outstanding with \$511 recorded in credit from banks and \$582 recorded in long-term loans).

NOTE 7: CONVERTIBLE DEBENTURES

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

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

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

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

Baylin Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Canadian dollars in thousands, except per share amounts

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

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

During the six months ended June 30, 2025 and the six months ended June 30, 2024, there were no conversions of Debentures.

	Debentures Principal	Debentures Fair Value
Balance as of January 1, 2025	\$ 5,115	\$ 4,472
Fair value adjustment		68
Deferred finance costs		21
Balance as of June 30, 2025	<u>\$ 5,115</u>	<u>\$ 4,561</u>

	Debentures Principal	Debentures Fair Value
Balance as of January 1, 2024	\$ 5,115	\$ 3,321
Fair value adjustment		200
Balance as of June 30, 2024	<u>\$ 5,115</u>	<u>\$ 3,521</u>

NOTE 8: LITIGATION AND CONTINGENT LIABILITIES

Legal Proceedings

SpaceBridge Inc. (formerly, Advantech Wireless Inc.)

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

In October 2018, as a result of an indemnity claim by the Company, the Company received a payment from the escrow agent of approximately \$1,826 out of part of the cash purchase price being held in escrow pursuant to the

Baylin Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Canadian dollars in thousands, except per share amounts

terms of an "Escrow Agreement" that also governed the procedure for making indemnity claims against the escrowed funds. The escrow agent released the amount because SpaceBridge failed to object to the indemnity claim within the 30-day period prescribed by the Escrow Agreement.

In December 2018, SpaceBridge commenced an application in the Superior Court of Justice (Ontario) (the "Superior Court") to have the amount repaid to the escrow agent, principally on the equitable ground of relief from forfeiture. Later, in June 2022, SpaceBridge amended its application to assert that the Company had failed to comply with the notice provisions of the Escrow Agreement such that its claim against the escrow fund was invalid. In its decision, rendered in July 2023, the Superior Court found that the Company's claim against the escrow fund was not validly delivered in accordance with the notice provisions of the Escrow Agreement and therefore SpaceBridge's objections to the claim was not late because the 30-day period was never triggered. In so doing, the Superior Court rejected the Company's argument that the amended application was made outside the prescribed limitation period of two years. As a result, the Superior Court ordered the Company to repay \$1,826, together with interest at the pre-judgment rate of interest set pursuant to the *Courts of Justice Act* (Ontario), to the escrow agent (the "Order").

The Company then appealed the Order to the Court of Appeal for Ontario, which had the effect of staying the Order. In its decision in December 2024, the Court of Appeal for Ontario dismissed the Company's appeal, upholding the Superior Court's decision ordering the Company to return \$1,826, together with interest, to the escrow agent. The Company has accrued \$2,217 in accounts payable and accrued liabilities on the statement of financial position, related to the escrow amount, including interest. The Order remains outstanding.

The Company filed statements of claim in January and May 2019 against SpaceBridge for certain other indemnity obligations of SpaceBridge arising out of the Advantech Acquisition under the "Asset Purchase Agreement". The claims, in the aggregate, total approximately \$7,230. SpaceBridge has filed statements of defence, as well as statements of counterclaim. In July 2019, SpaceBridge delivered multiple indemnity claims pursuant to the terms of the Advantech Acquisition, seeking to set off the amounts being claimed by the Company. The Company has contested the indemnity claims.

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

Baylin Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

Canadian dollars in thousands, except per share amounts

In January 2020, SpaceBridge filed a statement of claim claiming damages against the Company for various breaches of the Asset Purchase Agreement and two other agreements that were part of the Advantech Acquisition – a “Consulting Agreement” and a “Transitional Services Agreement”. These claims include the multiple indemnity claims previously made by SpaceBridge, as well as additional claims for breach of the other two agreements. The claims include loss of business opportunities, improper use of SpaceBridge’s books and records, unpaid rent on premises subleased from SpaceBridge as part of the Advantech Acquisition, unpaid consulting fees and diminution in the value of the common shares payable as part of the consulting fees under the Consulting Agreement and conversion of inventory after completion of the Advantech Acquisition. Where specified, the amount of damages claimed is at least \$8,700.

Other than the Order, the Company is unable to determine at this time whether it will be entitled to recover or required to pay any amounts related to these legal proceedings.

Alga Microwave Inc

In July 2018, the Company acquired indirectly all of the issued and outstanding shares of Alga Microwave Inc. (“Alga”) (the “Alga Acquisition”). In June 2019, the former shareholders of Alga filed an application against the Company asserting that an event had occurred under the “Share Purchase Agreement” relating to the Alga Acquisition that triggered the payment of an earn-out in the amount of \$1,000. The Company does not agree that the payment has been triggered and is contesting the application. The application is scheduled for trial in November 2025. The Company is unable to determine at this time whether it will be required to pay the earn-out amount. Accordingly, no provision has been recorded in respect of the claim.

NOTE 9: SHARE CAPITAL AND SHARE-BASED PAYMENTS

- a. On August 13, 2020, the shareholders of the Company approved a new Omnibus Equity Incentive Plan (as amended and restated, the “Omnibus Plan”). The Omnibus Plan permits the board of directors to grant a wide range of long-term incentive awards to participants. The awards include deferred share units (“DSUs”), which are for eligible 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, together with the DSU Plan, Stock Option Plan and ESCP, may not exceed 12% of the number of common shares outstanding from time to time. However, the Omnibus Plan is an “evergreen plan”, meaning that any awards that are exercised or settled or terminated without being exercised or settled are available for subsequent grant and do not reduce the number of common shares available to be granted. There are also limitations on the number of common shares that may be issued to insiders.
- b. The Company may settle DSUs, PSUs and RSUs in (i) common shares issued from treasury, (ii) common shares purchased in the market, (iii) cash or (iv) a combination of common shares and cash. Holders of stock options may exercise their options, (i) by paying the option exercise price or (ii) with the consent of the Company, through a cashless exercise or by receiving a cash payment in lieu of shares.

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- c. Unless otherwise approved by the board of directors, eligible directors must elect to receive at least 50% and up to 100% of their annual retainers in DSUs or common shares. The DSUs and common shares are issued on a periodic basis while the director serves as a board member and vest immediately. The DSUs are settled after the member ceases to be a director.

During the six months ended June 30, 2025 certain directors elected to receive a portion of their annual retainer in common shares. The Company recorded \$72 in share capital during the six months ended June 30, 2025, and \$72 during the six months ended June 30, 2024 related to this election.

The following table lists the number of DSUs outstanding as at June 30, 2025 and 2024:

	<u>Number of DSUs</u>	<u>Weighted average price</u>
DSUs outstanding as at January 1, 2025	5,022,979	\$ 0.51
DSUs granted during the six months ended June 30, 2025	<u>528,492</u>	<u>\$ 0.26</u>
DSUs outstanding as at June 30, 2025	<u>5,551,471</u>	<u>\$ 0.49</u>
DSUs outstanding as at January 1, 2024	2,451,727	\$ 0.77
DSUs granted during the six months ended June 30, 2024	<u>2,249,787</u>	<u>\$ 0.25</u>
DSUs outstanding as at June 30, 2024	<u>4,701,514</u>	<u>\$ 0.52</u>

The Company recognized an expense of \$140 in the six months ended June 30, 2025 and \$564 in the six months ended June 30, 2024 within general and administrative expenses with regards to the DSU Plan.

- d. In the case of stock options, at the time of granting a stock option, the board of directors determines (i) the exercise price, being not less than the fair market value of the common shares, (ii) the vesting provisions, generally being three years, with an equal number of common shares vesting on each anniversary of the grant date, and (iii) the expiry date, generally being no more than five years after the grant date.

The following table summarizes grants of stock options:

<u>Stock option grant date</u>	<u>Stock options granted</u>	<u>Vested</u>	<u>Options as at June 30, 2025 Exercised, expired, surrendered or cancelled</u>	<u>Net Outstanding</u>
May 21, 2019	270,000	250,000	270,000	-
Mar. 21, 2022	2,285,000	761,667	2,135,000	150,000
May 23, 2022	150,000	54,182	95,818	54,182
Sep. 26, 2022	5,000	3,333	-	5,000
Nov 21, 2022	14,000	6,667	4,000	10,000
May 23, 2023	3,000	2,000	-	3,000
Jun. 30, 2023	3,456,000	2,981,000	475,000	2,981,000
Mar. 31, 2024	4,950,000	1,650,000	150,000	4,800,000
May 20, 2024	52,000	26,000	-	52,000
	<u>11,185,000</u>	<u>5,734,849</u>	<u>3,129,818</u>	<u>8,055,182</u>

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Stock option grant date	Stock options granted	Vested	Options as at December 31, 2024	
			Exercised, expired, surrendered or cancelled	Net Outstanding
May 21, 2019	270,000	250,000	270,000	-
Mar. 21, 2022	2,285,000	761,667	2,135,000	150,000
May 23, 2022	150,000	54,182	95,818	54,182
Sep. 26, 2022	5,000	3,333	-	5,000
Nov 21, 2022	14,000	6,667	4,000	10,000
May 23, 2023	3,000	2,000	-	3,000
Jun. 30, 2023	3,456,000	1,127,000	425,000	3,031,000
Mar. 31, 2024	4,950,000	-	150,000	4,800,000
May 20, 2024	52,000	-	-	52,000
	<u>11,185,000</u>	<u>2,204,849</u>	<u>3,079,818</u>	<u>8,105,182</u>

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

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

The Company recognized expenses related to the Stock Option Plan during the six months ended June 30, 2025 in the amount of \$361 as general and administrative expenses and \$493 during the six months ended June 30, 2024.

In January 2025, \$54 was recorded in Share Capital for the exercise of 150,000 stock options.

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

- e. On May 15, 2025, 834,916 common shares were granted with a value of \$237 and 3,260,458 RSUs were granted with a value of \$847,719.

2024 Bonus Awards Plan and Performance Award Plan

On May 8, 2025, the shareholders of the Company approved two new share compensation arrangements, a 2024 Bonus Awards Plan (the "Bonus Plan") and a Performance Award Plan (the "Performance Plan"), which are both separate from the Omnibus Plan. The Bonus Plan permits the grant of RSUs or common shares to employees eligible to receive a bonus in respect of the Company's 2024 financial year. The RSUs will vest in full on May 15, 2026, one year from the date of grant. The maximum number of common shares issuable under the Bonus Plan may not exceed 4,203,703 common shares. The Performance Plan is designed to incentivize the Company's Chief Executive Officer to create and increase value for shareholders by achieving discretionary performance targets tied to the Company's strategic and operating plans. The Performance Plan permits the grant of PSUs, which are tied to the achievement of performance goals over a specified period. Once a performance goal has been achieved, the board of directors of the Company will determine, based on the relative significance of the performance goal and its benefit to the Company, the number of PSUs that will vest with respect to that performance goal. The maximum number of common shares issuable under the Performance Plan may not exceed 2,500,000 common shares.

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During the second quarter of 2025, 3,260,458 RSUs (with an issue value of \$848) and 834,916 common shares (with an issue value of \$237) were granted under the Bonus Plan and 2,500,000 PSUs were granted under the Performance Plan.

NOTE 10: EQUITY METHOD INVESTMENT

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

For the six months ended June 30, 2025, transactions between the Company and GTC totaled \$1,343, consisting primarily of R&D expenses related to the services agreements the Company has with GTC. As at June 30, 2025, the Company owed \$75 to GTC.

For the six months ended June 30, 2024, transactions between the Company and GTC totaled \$1,222. As at December 31, 2024, the Company was owed \$874 from GTC.

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

	Galtronics Canada Ltd.	
	As of June 30, 2025	As of December 31, 2024
Cash	\$ 57	\$ 125
Other current assets	39	28
Accounts receivables	726	1,048
Property, plant and equipment	290	349
Accounts payables and accrued liabilities	(378)	(379)
Net assets	\$ 734	\$ 1,171
Share of equity method investment net assets (liability)	\$ 139	\$ 222

	Galtronics Canada Ltd.	
	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Revenue	\$ 1,356	\$ 1,239
Expenses	1,797	1,783
Net income (loss)	\$ (441)	\$ (544)
Share of equity method investment net income (loss)	\$ (84)	\$ (103)

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NOTE 11: RELATED PARTY TRANSACTIONS

Share-based payment for executive officers

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

Share-based payment for directors

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

Other

The Company retains the services of Mr. Jeffrey C. Royer, pursuant to a services agreement between Mr. Royer and the Company dated as of January 1, 2015, to fulfill the position of Chairman of the board of directors and to provide related strategic leadership and guidance to the board of directors and management of the Company. As consideration for the services provided under the agreement, the Company agreed to pay Mr. Royer an annual fee of \$125 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. For 2025 and 2024, Mr. Royer has waived the payment of this fee.

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

Director and executive officer remuneration

The following comprise the remuneration for directors and executive officers:

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

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

b. Directors' remuneration

These amounts represent fees and expense reimbursement paid to directors.

c. Share-based payment for executive officers

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

d. Share-based payment for directors

These amounts represent the costs of DSU grants and common shares.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Salary, short-term benefits, pension and post-retirement benefits	1,339	1,386	\$ 2,602	\$ 2,777
Directors' remuneration	23	14	78	48
Share-based payment for executive management	750	320	993	493
Share-based payment for directors	70	70	140	563

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

NOTE 12: FAIR VALUE MEASUREMENTS

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

The following table presents the Company's financial liabilities measured and recognized at fair value and there have been no transfers between levels for the three months ended March 31, 2025 and December 31, 2024.

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

	As at June 30, 2025			
	Level 1	Level 2	Level 3	Total
Convertible Debentures	\$ 4,604	\$ -	\$ -	\$ 4,604
Foreign exchange forward contracts	\$ -	\$ (3)	\$ -	\$ (3)

	As at December 31, 2024			
	Level 1	Level 2	Level 3	Total
Convertible Debentures	\$ 4,472	\$ -	\$ -	\$ 4,472
Foreign exchange forward contracts	\$ -	\$ 392	\$ -	\$ 392

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. As at June 30, 2025 and December 31, 2024, the company held the Convertible Debentures in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at June 30, 2025 and December 31, 2024, the company held a foreign exchange future contract instrument in level 2.

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Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at June 30, 2025 and December 31, 2024, the company does not hold any instruments included in level 3.

NOTE 13: REVENUES

Revenues by geographic destination are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
United States of America	\$ 12,460	\$ 10,116	\$ 22,292	\$ 18,386
China	3,345	5,130	6,368	8,032
Thailand	1,245	1,429	2,358	2,939
Canada	985	1,085	2,085	1,761
Vietnam	479	512	1,076	722
Latvia	1,056	-	1,056	-
Indonesia	558	414	1,034	2,773
South Korea	576	-	605	19
Columbia	-	49	557	59
Spain	29	1	472	393
Georgia	-	-	357	-
Malaysia	214	74	331	90
France	110	266	268	832
Israel	-	72	249	236
Turkey	122	5	219	385
South Africa	100	137	211	137
Australia	159	427	163	445
Philippines	125	-486	161	422
Other	893	2,804	1,460	4,457
	<u>\$ 22,456</u>	<u>\$ 22,035</u>	<u>\$ 41,322</u>	<u>\$ 42,088</u>

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NOTE 14: FINANCE INCOME AND EXPENSE

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Interest income	\$ -	\$ -	\$ (11)	\$ (1)
Interest expense	620	671	1,280	1,261
Interest cost on lease liabilities	109	100	235	201
Bank charge expense	50	33	67	47
Changes from foreign exchange rate changes	(257)	(310)	145	(675)
Finance expense, net	<u>\$ 522</u>	<u>\$ 494</u>	<u>\$ 1,716</u>	<u>\$ 833</u>

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

During the fourth quarter of 2023, the Company commenced a formal process for the sale of Mobile and Network business line ("M&N") as it was no longer considered part of the Company's core long-term strategy for the business. Management determined that it met the requirement of IFRS 5 and, as a result, it was classified as held for sale. The Company completed the sale of M&N during the fourth quarter of 2024.