



MANAGEMENT'S DISCUSSION & ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three and Six Months Ended June 30, 2025
Dated August 6, 2025

Baylin Technologies Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three and Six Months Ended June 30, 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 and six months ended June 30, 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 August 6, 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 has been 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.

Effective from the twelve months ended December 31, 2024, management has made changes to some of the above categories to better represent the nature of the adjustments to EBITDA (see "EBITDA and Adjusted EBITDA" on page 12 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 facility in China and third-party facilities in Vietnam.
- b) The Wireless Infrastructure business line works with network carrier customers and other businesses to design and produce small cell and macro system antennas, stadium and venue antennas, distributed antenna systems (“DAS”) and multibeam antennas that support wireless coverage and mobile data capacity requirements. Wireless Infrastructure volumes are produced at the Company’s facility in China and third-party facilities in Vietnam.

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 June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Profit and Loss								
Revenue	22,456	22,035	421	1.9%	41,322	42,088	(766)	(1.8%)
Gross profit	10,405	9,238	1,167	12.6%	18,408	16,960	1,448	8.5%
Gross margin	46.3%	41.9%	4.4 pp	10.5%	44.5%	40.3%	4.2 pp	10.4%
Net income (loss) from continuing operations	1,000	(132)	1,132	N/A	(1,042)	(2,104)	1,062	(50.5%)
Net loss from discontinued operations	-	(1,457)	1,457	(100.0%)	-	(2,243)	2,243	(100.0%)
Net income (loss)	1,000	(1,589)	2,589	N/A	(1,042)	(4,347)	3,305	(76.0%)
Basic and diluted net income (loss) per share from continuing operations	\$0.01	(\$0.00)	\$0.01	N/A	(\$0.01)	(\$0.02)	\$0.01	(50.0%)
Basic and diluted net loss per share from discontinued operations	-	(\$0.01)	\$0.01	(100.0%)	-	(\$0.01)	\$0.01	(100.0%)
Basic and diluted net income (loss) per share	\$0.01	(\$0.01)	\$0.02	N/A	(\$0.01)	(\$0.03)	\$0.02	(66.7%)
EBITDA* from continuing operations	2,336	1,514	822	54.3%	1,811	843	968	> 100.0%
EBITDA* from discontinued operations	-	(580)	580	(100.0%)	-	(299)	299	(100.0%)
EBITDA*	2,336	934	1,402	> 100.0%	1,811	544	1,267	> 100.0%
Adjusted EBITDA* from continuing operations	3,429	2,273	1,156	50.9%	4,109	2,733	1,376	50.3%
Adjusted EBITDA* from discontinued operations	-	(580)	580	(100.0%)	-	(623)	623	(100.0%)
Adjusted EBITDA*	3,429	1,693	1,736	> 100.0%	4,109	2,110	1,999	94.7%
	As at	As at			As at	As at		
	June 30, 2025	June 30, 2024	Change	Change	June 30, 2025	December 31, 2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Balance Sheet and Other								
Current assets - Continuing operations	33,356	37,044	(3,688)	(10.0%)	33,356	37,292	(3,936)	(10.6%)
Current assets - Assets held for sale	-	8,581	(8,581)	(100.0%)	-	-	-	N/A
Total current assets	33,356	45,625	(12,269)	(26.9%)	33,356	37,292	(3,936)	(10.6%)
Total assets	44,824	60,993	(16,169)	(26.5%)	44,824	49,166	(4,342)	(8.8%)
Current liabilities - Continuing operations	39,628	41,296	(1,668)	(4.0%)	39,628	44,375	(4,747)	(10.7%)
Current liabilities - Liabilities related to assets held for sale	-	10,547	(10,547)	(100.0%)	-	-	-	N/A
Total current liabilities	39,628	51,843	(12,215)	(23.6%)	39,628	44,375	(4,747)	(10.7%)
Total liabilities	53,456	64,728	(11,272)	(17.4%)	53,456	57,689	(4,233)	(7.3%)
Net debt* from continuing operations	12,924	16,641	(3,717)	(22.3%)	12,924	14,271	(1,347)	(9.4%)
Backlog* from continuing operations	22,900	32,603	(9,703)	(29.8%)	22,900	30,195	(7,295)	(24.2%)

* 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).

SECOND QUARTER SUMMARY

- Revenue of \$22.5 million in the second quarter of 2025, an increase of \$0.5 million or 1.9% compared to the second quarter of 2024, primarily due to sales volume increase in the Wireless Infrastructure business line. This also represents an increase of \$3.6 million or 19.0% compared to the first quarter of 2025 with volume increases from the Embedded Antenna and Satcom business lines.
- Gross profit of \$10.4 million in the second quarter of 2025, an increase of \$1.2 million or 12.6% compared to the second quarter of 2024, mainly attributable to the Wireless Infrastructure business line which generated stronger revenue and favourable product mix. This also represents an increase of \$2.4 million or 30.0% compared to the first quarter of 2025.
- Gross margin (see “Non-IFRS Measures” on page 3 of this MD&A) of 46.3% in the second quarter of 2025 compared to 41.9% in the second quarter of 2024 and compared to 42.4% in the first quarter of 2025. Compared to the same prior year period, the higher gross margin in the second quarter of 2025 was primarily due to improved product mix generated by stronger sales of multibeam, small cell and other innovative antennas from the Wireless Infrastructure business line.
- Adjusted EBITDA (see “Non-IFRS Measures” on page 3 of this MD&A) of \$3.4 million in the second quarter of 2025, an increase of \$1.1 million or 50.9% compared to the second quarter of 2024, mainly due to the increase in gross profit as discussed above. This also represents an increase of \$2.7 million or 404% compared to the first quarter of 2025.
- Net income of \$1.0 million in the second quarter of 2025 compared to a net loss of \$0.1 million in the second quarter of 2024. The net income in the second quarter of 2025 was mainly the net result of an operating income of \$1.8 million partially offset by interest and other finance expenses. This also represents an increase of \$3.0 million compared to a net loss of \$2.0 million in the first quarter of 2025. On a per share basis, a net income of \$0.01 per share in the second quarter of 2025 compared to \$nil per share in the second quarter of 2024.
- Net debt (see “Non-IFRS Measures” on page 3 of this MD&A) of \$12.9 million at June 30, 2025, a decrease of \$1.3 million from December 31, 2024, primarily as a result of \$2.9 million cash generated by operating activities in the six months ended June 30, 2025.
- Backlog (see “Non-IFRS Measures” on page 3 of this MD&A) of \$22.9 million at June 30, 2025 compared to \$30.2 million at December 31, 2024. The decrease in backlog was mainly due to a slowdown in new order intake in the Satcom and Embedded Antenna business lines during the second quarter of 2025. Backlog was \$21.6 million at July 31, 2025.

RECENT DEVELOPMENTS

Credit Facilities

The Company and its principal lender entered into an Amended and Restated Credit Agreement (see “Credit from banks and loans” on page 17 of this MD&A) which extends the Company’s \$15 million revolving credit facility to January 31, 2026.

Share Consolidation

The Company’s previously announced consolidation of its common shares on the basis of 40 pre-consolidation common shares for one post-consolidation common share received shareholder approval at the Company’s Annual and Special Meeting on May 8, 2025. The Company has decided to defer implementation of the consolidation for the time being. The consolidation remains subject to approval of the Toronto Stock Exchange.

OUTLOOK

Corporate

The Company reported net income of \$1.0 million in the second quarter of 2025, an increase of \$1.1 million compared to the second quarter of 2024 and \$3.0 million compared to the first quarter of 2025. Additionally, the Company has now achieved six 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 the Satcom business line. These improvements in our business reflect what we have been working on over the past few years: clear market driven strategies, containing costs, and prioritizing R&D and product mix, focusing on both revenue growth and higher gross margins. At the same time, the macroeconomic environment remains a concern, with the high levels of uncertainty concerning the impacts of US tariffs and retaliatory tariffs from 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 foreign exchange rates and disrupt supply chains on which the Company relies in producing its products. Based on our current assessment of business unit performance, we expect the second half of 2025 will be softer than the first half, with continuing strength of the Wireless Infrastructure business line being offset by softness in the Embedded Antenna and Satcom business lines.

Wireless Infrastructure Business Line

The Wireless Infrastructure business line delivered a very strong second quarter of 2025, again exceeding plan and building on its strong first quarter financial performance. There were substantial increases in revenue, gross profit and Adjusted EBITDA compared to the second quarter of 2024. We expect demand for its multibeam and innovative small cell antennas, as well as stadium deployments, will continue to be strong, albeit with seasonally affected lower sales in the second half of 2025 compared to the first six months. We are continuing to leverage the competitive advantages that our multibeam antennas provide in order to open up new global opportunities and drive further sales volumes with wireless carriers and third-party operators who operate wireless mobile networks for their customers. The Wireless Infrastructure business line is in the process of commercializing a new derivative of its patented multibeam antenna and has several carriers asking for a trial later in 2025. Based on our current assessment, we expect Wireless Infrastructure revenue for 2025 will exceed 2024, resulting in a full-year financial performance comparable to or better than 2024, which was a very strong year.

Embedded Antenna Business Line

The Embedded Antenna business line experienced higher revenue in the second quarter of 2025 compared to the first quarter of 2025, but slightly lower than the second quarter of 2024 due largely to changes in customer demand as a result of market fluctuations and global economic uncertainty. The Embedded Antenna business line still managed to improve gross margins and control operational costs resulting in improved Adjusted EBITDA compared to the second quarter of 2024 and the first quarter of 2025. We expect Embedded Antenna will perform at reasonable levels in the second half of 2025, with revenue in the second half lower than the first half and full-year revenue lower than 2024. While the backlog remains strong, order flow through due to potential customer delays and uncertainty surrounding the effect of tariffs may impact the business in the second half of 2025. The number of active bids for new projects remains at a strong level.

Satcom Business Line

The Satcom business line had an extremely strong second quarter of 2025, which included shipments of a large solid-state power amplifier program for a US Department of Defense application that had been delayed from the first quarter of 2025. However, it is currently experiencing lower order intake volumes and a reduced backlog. This is partly cyclical in nature and also due to delays in customer programs. We expect additional orders from the US DoD for Satcom's power amplifiers, but the timing of those orders will likely be the fourth quarter of 2025 or the first quarter of 2026, with further orders coming over this multi-year upgrade program.

In contrast, the number and dollar value of active bids is at record levels. While orders of our new Genesis and Summit III model amplifiers can be produced quickly, orders for several legacy products which have yet to be retired will take longer to produce. Overall, we anticipate Satcom will have lower revenue in 2025 compared to 2024. As a result, we expect to take further steps to better align Satcom's cost structure to reflect its production volume and order flow.

Satcom is generally not subject to US tariffs. See "Tariffs" below.

Tariffs

The Company continues to deal with uncertainty over the timing, volatility, level and duration of and changes in US tariffs. Nevertheless, we continue to take proactive steps to mitigate the effect of the tariffs across all our business lines.

Wireless Infrastructure's products are manufactured in our facility in China or third-party facilities in Vietnam and are then purchased by Galtronics USA for delivery to customers in various jurisdictions, including the United States. Products shipped to the US have an effective tariff rate of approximately 30.5%. However, the actual gross margin impact of tariffs on this business line has been mitigated to a much lower level due to a number of measures taken by the Company. This has allowed Wireless Infrastructure to be compliant with the current tariff regime while maintaining a strong margin position.

Embedded Antenna is currently not directly affected by US tariffs on China. 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 tariffs on other Asian countries could impact future order volumes for the Embedded Antenna's products, as well as result in requests for price concessions. Additionally, if end customers' demand declines due to the inflationary impact of tariffs, Embedded Antenna's revenue could be adversely affected.

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 Canada's free trade agreement with the United States and Mexico and, therefore, are not subject to the tariff otherwise applicable on Canadian goods, 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 free trade agreement, 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, volatility, level and duration of and changes in US 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 June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	22,456	22,035	421	1.9%	41,322	42,088	(766)	(1.8%)
Cost of sales	12,051	12,797	(746)	(5.8%)	22,914	25,128	(2,214)	(8.8%)
Gross profit	10,405	9,238	1,167	12.6%	18,408	16,960	1,448	8.5%
Gross margin	46.3%	41.9%			44.5%	40.3%		

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) Second Quarter of 2025 compared to Second Quarter of 2024

The Company's revenue was \$22.5 million in the second quarter of 2025 compared to \$22.0 million in the second quarter of 2024, an increase of \$0.5 million or 1.9%. The increase was primarily due to sales volume increase in the Wireless Infrastructure business line, partially offset by softer revenue in the Embedded Antenna business line. Revenue of the Satcom business line was largely consistent with the prior year period.

The Company's gross profit was \$10.4 million in the second quarter of 2025, an increase of \$1.2 million compared to the second quarter of 2024. Gross margin was 46.3% in the second quarter of 2025 compared to 41.9% in the second quarter of 2024. The higher gross margin was mainly attributable to the Wireless Infrastructure business line which generated stronger revenue and favourable product mix compared to the prior year period.

c) Six Months Ended June 30, 2025 compared to Six Months Ended June 30, 2024

The Company's revenue was \$41.3 million in the six months ended June 30, 2025 compared to \$42.1 million in the six months ended June 30, 2024, a decrease of \$0.8 million or 1.8%. The decrease was primarily due to sales volume decrease in the Embedded Antenna and Satcom business lines in the first half of 2025, partially offset by an increase in the Wireless Infrastructure business line compared to the prior year period.

Despite the decrease in revenue in the six months ended June 30, 2025, gross profit was \$18.4 million, an increase of \$1.4 million compared to \$17.0 million in the six months ended June 30, 2024. Gross margin was 44.5% in the six months ended June 30, 2025 compared to 40.3% in the six months ended June 30, 2024. The higher gross margin in the six months ended June 30, 2025 was due to the reason noted above.

Selling and Marketing Expenses

(in \$000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Payroll	983	1,110	(127)	(11.4%)	2,024	2,162	(138)	(6.4%)
Other	797	808	(11)	(1.4%)	1,571	1,580	(9)	(0.6%)
Total	1,780	1,918	(138)	(7.2%)	3,595	3,742	(147)	(3.9%)
As a percentage of revenue	7.9%	8.7%			8.7%	8.9%		

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

a) Factors affecting Selling and Marketing Expenses

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

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

The Company's selling and marketing expenses in the second quarter of 2025 were \$1.8 million (7.9% of revenue) compared to \$1.9 million (8.7% of revenue) in the second quarter of 2024. The decrease in selling and marketing expenses in the second quarter of 2025 was primarily due to lower payroll expenses as a result of lower number of sales employees compared to the prior year period.

c) Six Months Ended June 30, 2025 compared to Six Months Ended June 30, 2024

The Company's selling and marketing expenses in the six months ended June 30, 2025 were \$3.6 million (8.7% of revenue) compared to \$3.7 million (8.9% of revenue) in the six months ended June 30, 2024. The decrease was due to the reason noted above.

Research and Development Expenses

(in \$000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Research and development costs	3,027	2,714	313	11.5%	6,068	5,578	490	8.8%
Depreciation	84	101	(17)	(16.8%)	174	201	(27)	(13.4%)
Total	3,111	2,815	296	10.5%	6,242	5,779	463	8.0%
As a percentage of revenue	13.9%	12.8%			15.1%	13.7%		

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

a) Factors affecting Research and Development Expenses

The Company's research and development ("R&D") expenses consist primarily of salaries, patent fees, product development costs and other engineering expenses. The Company's technological design centres are located in United States and Canada. The Company often incurs significant expenditures in the development of a new product without any assurance that its customers' system designers will ultimately select the product for use in their applications. Management is often required to anticipate which product design will generate demand in advance of its customers expressly indicating a need for that particular design. Even if the customers' system designers ultimately select our products, a substantial period of time may elapse before the Company generates revenue relative to the possibly significant expenses it has initially incurred.

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

The Company's R&D expenses in the second quarter of 2025 were \$3.1 million (13.9% of revenue) compared to \$2.8 million (12.8% of revenue) in the second quarter of 2024. The increase in R&D expenses was mainly due to higher engineering costs in the second quarter of 2025 compared to the prior year period.

c) *Six Months Ended June 30, 2025 compared to Six Months Ended June 30, 2024*

The Company's R&D expenses in the six months ended June 30, 2025 were \$6.2 million (15.1% of revenue) compared to \$5.8 million (13.7% of revenue) in the six months ended June 30, 2024. The increase was due in part to higher payroll and engineering costs incurred for new products development.

General and Administrative Expenses

(in \$000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Payroll	1,539	1,571	(32)	(2.0%)	3,102	3,206	(104)	(3.2%)
Other	2,006	1,828	178	9.7%	4,404	4,189	215	5.1%
Depreciation	212	207	5	2.4%	441	429	12	2.8%
Amortization	-	80	(80)	(100.0%)	-	160	(160)	(100.0%)
Total	3,757	3,686	71	1.9%	7,947	7,984	(37)	(0.5%)
As a percentage of revenue	16.7%	16.7%			19.2%	19.0%		

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

The Company's G&A expenses in the second quarter of 2025 were \$3.8 million (16.7% of revenue) compared to \$3.7 million (16.7% of revenue) in the second quarter of 2024. The increase in G&A expenses was primarily due to higher expenses incurred for legal and other professional services related to the Credit Agreement extension in the second quarter of 2025.

c) *Six Months Ended June 30, 2025 compared to Six Months Ended June 30, 2024*

The Company's G&A expenses in the six months ended June 30, 2025 were \$7.9 million (19.2% of revenue) compared to \$8.0 million (19.0% of revenue) in the six months ended June 30, 2024. The decrease was due in part to lower payroll costs as a result of lower number of administrative employees compared to the prior year period.

Operating Income (Loss) and Net Income (Loss)

(in \$000's except per share amounts)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Operating income (loss)	1,757	819	938	> 100.0%	624	(545)	1,169	N/A
Finance expense, net	522	494	28	5.7%	1,716	833	883	> 100.0%
Investment expense, net	31	58	(27)	(46.6%)	84	103	(19)	(18.4%)
Fair value adjustments	(31)	64	(95)	N/A	(327)	224	(551)	N/A
Income (loss) before income taxes	1,235	203	1,032	> 100.0%	(849)	(1,705)	856	(50.2%)
Tax expense	235	335	(100)	(29.9%)	193	399	(206)	(51.6%)
Net income (loss)	1,000	(132)	1,132	N/A	(1,042)	(2,104)	1,062	(50.5%)
Basic and diluted net income (loss) per share	\$0.01	(\$0.00)	\$0.01	N/A	(\$0.01)	(\$0.02)	\$0.01	(50.0%)

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

a) *Factors affecting Operating Income (Loss) and Net Income (Loss)*

The Company's operating income (loss) and net income (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) *Second Quarter of 2025 compared to Second Quarter of 2024*

The Company's operating income in the second quarter of 2025 was \$1.8 million compared to \$0.8 million in the second quarter of 2024. The increase in operating income was mainly due to the increase in gross profit in the second quarter of 2025 as discussed above, offset in part by higher operating expenses compared to the prior year period.

The Company's net income in the second quarter of 2025 was \$1.0 million compared to a net loss of \$0.1 million in the second quarter of 2024. The net income in the second quarter of 2025 was primarily due to the operating income of \$1.8 million, partially offset by interest and other finance expenses. On a per share basis, the second quarter of 2025 produced a net income of \$0.01 per share compared to \$nil per share in the second quarter of 2024.

c) *Six Months Ended June 30, 2025 compared to Six Months Ended June 30, 2024*

The Company's operating income in the six months ended June 30, 2025 was \$0.6 million compared to an operating loss of \$0.5 million in the six months ended June 30, 2024. The improvement was mainly due to the reason noted above.

The Company's net loss in the six months ended June 30, 2025 was \$1.0 million compared to \$2.1 million in the six months ended June 30, 2024. The net loss in the six months ended June 30, 2025 was mainly the net result of the operating income of \$0.6 million offset by finance expenses and tax expenses. Tax expenses in the six months ended June 30, 2025 comprised income tax provision for the Company's subsidiaries in China and the USA. On a per share basis, the six months ended June 30, 2025 generated a net loss of \$0.01 per share compared to a net loss of \$0.02 per share in the six months ended June 30, 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 Income (Loss) to EBITDA and Adjusted EBITDA

(in \$000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Net income (loss)	1,000	(132)	1,132	N/A	(1,042)	(2,104)	1,062	(50.5%)
Plus:								
Tax expense	235	335	(100)	(29.9%)	193	399	(206)	(51.6%)
Interest and other finance expense	522	616	(94)	(15.3%)	1,473	1,160	313	27.0%
Depreciation and Amortization	579	695	(116)	(16.7%)	1,187	1,388	(201)	(14.5%)
EBITDA	2,336	1,514	822	54.3%	1,811	843	968	> 100.0%
Adjustments to EBITDA	1,093	759	334	44.0%	2,298	1,890	408	21.6%
Adjusted EBITDA	3,429	2,273	1,156	50.9%	4,109	2,733	1,376	50.3%

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

The Company's EBITDA in the second quarter of 2025 was \$2.3 million compared to \$1.5 million in the second quarter of 2024. The Adjusted EBITDA in the second quarter of 2025 was \$3.4 million compared to \$2.3 million in the second quarter of 2024. The adjustments to EBITDA amounting to \$1.1 million in the second quarter of 2025 and \$0.8 million in the second quarter of 2024 are detailed in the table below.

c) *Six Months Ended June 30, 2025 compared to Six Months Ended June 30, 2024*

The Company's EBITDA in the six months ended June 30, 2025 was \$1.8 million compared to \$0.8 million in the six months ended June 30, 2024. The Adjusted EBITDA in the six months ended June 30, 2025 was \$4.1 million compared to \$2.7 million in the six months ended June 30, 2024. The adjustments to EBITDA amounting to \$2.3 million in the six months ended June 30, 2025 and \$1.9 million in the six months ended June 30, 2024 are detailed in the table below.

Adjustments to EBITDA

(in \$000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Expenses relating to sale of a business line (1)	-	104	(104)	(100.0%)	13	184	(171)	(92.9%)
Legal expenses relating to non-operating activities (2)	197	210	(13)	(6.2%)	244	384	(140)	(36.5%)
Severance and recruiting expenses (3)	18	-	18	N/A	176	173	3	1.7%
Share-based compensation (4)	878	445	433	97.3%	1,865	1,149	716	62.3%
Total	1,093	759	334	44.0%	2,298	1,890	408	21.6%

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

The Company's Adjusted EBITDA for the above periods was 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		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Profit and Loss								
Revenue	22,456	18,866	20,792	20,709	22,035	20,053	16,129	16,860
Gross profit	10,405	8,003	7,888	9,542	9,238	7,722	5,681	6,607
Gross margin	46.3%	42.4%	37.9%	46.1%	41.9%	38.5%	35.2%	39.2%
Net income (loss) from continuing operations	1,000	(2,042)	(4,942)	(1,414)	(132)	(1,972)	(6,947)	(2,352)
Net income (loss) from discontinued operations	-	-	3,706	(857)	(1,457)	(786)	(1,132)	(1,012)
Net income (loss)	1,000	(2,042)	(1,236)	(2,271)	(1,589)	(2,758)	(8,079)	(3,364)
Basic and diluted net income (loss) per share from continuing operations	\$0.01	(\$0.01)	(\$0.03)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.07)	(\$0.01)
Basic and diluted net income (loss) per share from discontinued operations	-	\$0.00	\$0.03	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Basic and diluted net income (loss) per share	\$0.01	(\$0.01)	(\$0.00)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.08)	(\$0.02)
EBITDA* from continuing operations	2,336	(525)	(3,769)	1,109	1,514	(671)	(4,547)	(1,434)
EBITDA* from discontinued operations	-	-	(426)	(659)	(580)	281	(976)	(10)
EBITDA*	2,336	(525)	(4,195)	450	934	(390)	(5,523)	(1,444)
Adjusted EBITDA* from continuing operations	3,429	680	1,816	857	2,273	460	(2,047)	(779)
Adjusted EBITDA* from discontinued operations	-	-	(426)	(659)	(580)	(43)	(650)	(10)
Adjusted EBITDA*	3,429	680	1,390	198	1,693	417	(2,697)	(789)
Balance Sheet and Other**								
Current assets - Continuing operations	33,356	35,072	37,292	36,478	37,044	38,335	35,346	48,695
Current assets - Assets held for sale	-	-	-	7,069	8,581	9,576	7,885	-
Total current assets	33,356	35,072	37,292	43,547	45,625	47,911	43,231	48,695
Total assets	44,824	47,372	49,166	58,454	60,993	63,978	59,710	68,959
Current liabilities - Continuing operations	39,628	44,068	44,375	41,769	41,296	43,291	38,955	64,976
Current liabilities - Liabilities related to assets held for sale	-	-	-	8,999	10,547	10,628	8,854	-
Total current liabilities	39,628	44,068	44,375	50,768	51,843	53,919	47,809	64,976
Total liabilities	53,456	57,825	57,689	63,796	64,728	65,943	59,746	73,850
Net debt* from continuing operations	12,924	12,096	14,271	15,034	16,641	15,689	12,787	26,935
Backlog* from continuing operations	22,900	32,502	30,195	30,227	32,603	30,336	31,156	30,659

* 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 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").

In the second quarter of 2025, the Company achieved the strongest quarterly performance by delivering the highest revenue, gross margin, net income and Adjusted EBITDA compared to the preceding seven quarterly financial results. It also marked the Company's six consecutive quarters of positive Adjusted EBITDA since the first quarter of 2024.

CASH FLOWS

(in \$000's)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	2024	Change	Change	2025	2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Cash flows (used in) generated from:								
Operating activities	188	430	(242)	(56.3%)	2,867	(1,548)	4,415	N/A
Investing activities	(26)	(5)	(21)	> 100.0%	(27)	(66)	39	(59.1%)
Financing activities	(1,650)	266	(1,916)	N/A	(3,387)	570	(3,957)	N/A
Net cash inflows (outflows) from continuing operations	(1,488)	691	(2,179)	N/A	(547)	(1,044)	497	(47.6%)
Net cash inflows (outflows) from discontinued operations	-	(543)	543	(100.0%)	-	(1,246)	1,246	(100.0%)
Effect of foreign exchange differences	(186)	(219)	33	(15.1%)	(169)	128	(297)	N/A
Net cash outflows	(1,674)	(71)	(1,603)	> 100.0%	(716)	(2,162)	1,446	(66.9%)
Cash and cash equivalents at the beginning of period	5,964	2,812	3,152	> 100.0%	5,006	4,903	103	2.1%
Cash and cash equivalents at the end of period	4,290	2,741	1,549	56.5%	4,290	2,741	1,549	56.5%

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

Operating Activities

Cash generated from operating activities was \$0.2 million in the second quarter of 2025 compared to \$0.4 million in the second quarter of 2024. The decrease of cash inflows from operating activities in the second quarter of 2025 was primarily due to an increase in working capital compared to the prior year period.

Cash generated from operating activities was \$2.9 million in the six months ended June 30, 2025, representing an increase of \$4.4 million compared to \$1.5 million used in the six months ended June 30, 2024. The increase of cash inflows from operating activities in the six months ended June 30, 2025 was mainly attributable to stronger operating performance along with a milder working capital movement compared to the prior year period.

Investing Activities

Cash used in investing activities was close to \$nil in both the second quarter of 2025 and the second quarter of 2024.

Cash used in investing activities was close to \$nil in the six months ended June 30, 2025 compared to \$0.1 million in the six months ended June 30, 2024. The minimal cash used in investing activities was primarily due to the Company's cash conservation measures to preserve liquidity, resulting in capital expenditures at a consistently low level.

Financing Activities

Cash used in financing activities was \$1.7 million in the second quarter of 2025 compared to \$0.3 million generated in the second quarter of 2024.

Cash used in financing activities was \$3.4 million in the six months ended June 30, 2025, an increase of \$4.0 million used in financing activities compared to \$0.6 million generated in the six months ended June 30, 2024. The large amount of cash used in financing activities in the six months ended June 30, 2025 was mainly due to the Company's efforts to utilize cash generated from operations to reduce overall debt from the revolving credit facility.

NET DEBT, CAPITAL RESOURCES AND LIQUIDITY

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

Net Debt

(in \$000's)

	As at June 30, 2025	As at December 31, 2024	Change	Change
	\$	\$	\$	%
Total Debt	17,214	19,277	(2,063)	(10.7%)
Less: Cash and cash equivalents	4,290	5,006	(716)	(14.3%)
Net Debt	12,924	14,271	(1,347)	(9.4%)

The Company had net debt at June 30, 2025 and December 31, 2024 of \$12.9 million and \$14.3 million, respectively. The decrease in net debt was primarily due to an increase in cash generated by the Company's operating performance, partially offset by lease payments and debt interest payments during the six months ended June 30, 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 17 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 demands, customer payment delay, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business.

As at June 30, 2025, the Company's CCC was 47 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 half of 2025, the Company successfully enrolled in early payment programs provided by certain Wireless Infrastructure customers.

During the six months ended June 30, 2025, the Company's working capital had minimal movements mainly as a result of the following factors:

- a) Decrease in trade payables and other current liabilities of \$3.5 million, mainly due to a decrease in raw materials purchases in the Satcom business line as a result of lower level of backlog during the second quarter of 2025;

partially offset by:

- b) Decrease in trade receivables of \$1.8 million, due in part to faster collection in trade receivables during the second quarter of 2025 from certain Wireless Infrastructure customers as discussed above; and,
- c) Decrease in inventories of \$1.4 million, primarily due to a decrease in Satcom inventories in the latter part of the second quarter of 2025 impacted by lower raw materials demand for the third quarter.

Commitment for capital expenditures

As at June 30, 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 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 million 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 \$20.7 million, of which \$17.2 million was drawn including \$11.9 million under the Revolving Facility.

The Credit Agreement includes the following financial-related covenants:

- the Company is required to maintain a minimum Liquidity (as defined in the Credit Agreement) determined monthly of \$3.0 million until maturity of the Revolving Facility;
- the Company is required to maintain a minimum EBITDA (as defined in the Credit Agreement) for the trailing twelve months ending June 30, September 30 and December 31, 2025 of \$4.0 million, \$4.3 million and 2.7 million, respectively;
- 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 advances under the Revolving Facility is 2.50% and the standby fee is 0.70%.

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, including the DSU Plan, Stock Option Plan and ESCP, may not exceed 12% of the number of common shares outstanding from time to time. However, the Omnibus Plan is an "evergreen plan", meaning that any awards that are exercised or settled or terminated without being exercised or settled are available for subsequent grant and do not reduce the number of common shares available to be granted. There are also limitations on the number of common shares that may be issued to insiders.

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

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

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

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

The Company recognized a DSU expense of \$0.1 million during the six months ended June 30, 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 June 30, 2025:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at		Options exercised, surrendered, expired or cancelled as at June 30, 2025	Options net outstanding as at June 30, 2025
				June 30, 2025	December 31, 2024		
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	6,667	6,667	4,000	10,000
May 23, 2023	3,000	\$0.39	May 23, 2028	2,000	2,000	-	3,000
Jun. 30, 2023	3,456,000	\$0.36	Jun. 30, 2028	2,981,000	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	26,000	-	-	52,000
	<u>11,185,000</u>			<u>5,734,849</u>	<u>2,204,849</u>	<u>3,129,818</u>	<u>8,055,182</u>

The Company recognized a stock option expense of \$0.4 million during the six months ended June 30, 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.

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 fiscal 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.

During the second quarter of 2025, 3,260,458 RSUs (with an issue value of \$0.8 million) and 834,916 common shares (with an issue value of \$0.2 million) were granted under the Bonus Plan and 2,500,000 PSUs were granted under the Performance Plan.

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 June 30, 2025:

(in \$000's)

	Payments Due by Period				Total
	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	
	\$	\$	\$	\$	\$
Credit from banks (1)	16,616	-	-	-	16,616
Long-term loans (2)	-	598	-	-	598
Inventory purchase commitments (3)	5,639	1,069	-	-	6,708
Lease payment obligations (4)	838	2,593	1,138	2,922	7,491
Convertible debentures principal	-	5,115	-	-	5,115
Convertible debentures interest	217	217	-	-	435
Preferred shares	-	1,700	-	-	1,700
Preferred shares dividend	170	510	-	-	680
Foreign exchange forward contracts (5)	(1)	-	-	-	(1)
Total Contractual Obligations	23,479	11,802	1,138	2,922	39,342

Notes:

- (1) Represents the amount due on maturity of the Company's 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 and six months ended June 30, 2025.
- (2) Represents the amount due on 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 and six months ended June 30, 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 \$2.6 million for the six months ended June 30, 2025 compared to \$2.8 million for the six months ended June 30, 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 June 30, 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 17 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 six months ended June 30, 2025, the Company utilized foreign exchange forward contracts to sell US dollars for Canadian dollars in order to partially mitigate its foreign currency risk. As at June 30, 2025, the Company had forward contracts in place to sell an aggregate US\$1.61 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 June 30, 2025, and there were no changes to our use of financial instruments during the three months ended June 30, 2025.

OUTSTANDING SHARE DATA

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

- 152,528,238 common shares;
- 8,055,182 stock options;
- 1,856,410 RSUs; and,
- 5,551,471 DSUs.

Up to 15,463,063 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 may not exceed 12% of the number of common shares outstanding from time to time, being as at the date of this MD&A 18,303,388 common shares. As at the date of this MD&A, 2,840,325 common shares are available to be issued under the Omnibus Plan.

In addition, there are 3,260,458 RSUs outstanding under the 2024 Bonus Awards Plan, each of which represents the right of holders to receive one common share on settlement, and 2,500,000 PSUs outstanding under the Performance Award Plan, each of which represents the right of the holder to receive one common share on settlement.

The Company also has outstanding 68,000 10% Cumulative Redeemable Retractable Series A Preferred Shares.

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 their maturity on June 30, 2026; or, (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of \$0.9156 per common share, subject to adjustment in certain events in accordance with the Indenture. If all the Debentures were converted at the current conversion price, it would result in the issuance of 5,586,500 common shares.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

There were no changes in our internal control over financial reporting during the three months ended June 30, 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.