BAYLIN TECHNOLOGIES

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Twelve Months Ended December 31, 2022

Dated March 8, 2023

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three and Twelve Months Ended December 31, 2022

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 management as at March 8, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements of Baylin and related notes thereto for the years ended December 31, 2022 ("fiscal 2022") and December 31, 2021 ("fiscal 2021") (collectively, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to March 8, 2023, 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.sedar.com. Unless otherwise stated, all amounts shown in this MD&A are in Canadian dollars.

This MD&A contains commentary from 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.

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 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.sedar.com. 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 measures that are not prescribed by IFRS and as such may not be comparable to similar measures presented by other companies. Management believes that these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support business activities. The measures we use are specifically defined where they are first used.

While management believes that non-IFRS measures provide helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with IFRS.

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 refers to the following in the most recently completed quarter:
   1) days sales outstanding, plus:
   2) days of inventory outstanding, less:
   3) days payables outstanding;

v. "Gross margin", which refers to gross profit divided by revenue;

vi. "EBITDA", which refers to operating income (loss) plus depreciation and amortization;

vii. "Adjusted EBITDA", which refers to EBITDA plus the sum of the following:
   a) Acquisition expenses;
   b) Fair value step-up of inventory acquired as part of an acquisition;
   c) Expenses for litigation relating to acquisition agreements;
   d) Expenses relating to planned restructuring following an acquisition;
   e) Impairment of fixed and intangible assets (including goodwill) following an acquisition;
   f) Expenses to permanently close or relocate a facility, shut down a line of business, eliminate positions;
   g) Expenses relating to corporate re-organization; and,
   h) Non-cash compensation.

   Management believes that "Adjusted EBITDA" provides useful information to investors in order to compare companies across and within an industry. Management uses this non-IFRS measure to assist in evaluating productivity, efficiency, return on capital and forecasting operating performance.

viii. "Backlog", which refers to the value of unfulfilled purchase orders placed by customers.

   Management believes that backlog provides useful information to investors as a forward-looking indicator of anticipated revenue to be recognized upon fulfilment of the 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.

OVERVIEW

Background and Description of Operations

Baylin is a diversified global wireless technology company focused on the research, design, development, manufacture, and sale of passive and active radio frequency ("RF") products, satellite communications products, and supporting services. The Company's products are marketed and sold under the brand names Galtronics and Advantech Wireless. The Company's operations are conducted through subsidiaries.

Galtronics

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

The Galtronics line of business is comprised of three interrelated business lines: (a) Embedded Antenna; (b) Wireless Infrastructure; and, (c) Asia Pacific.

a) The Embedded Antenna business line works with original equipment manufacturer ("OEM") customers to custom engineer and produce antennas for home networking devices (such as Wi-Fi routers, gateways and set-top boxes), 5G products and land mobile radio products. Embedded Antenna volumes are produced at the Company's plant in China.

b) The Wireless Infrastructure business line works with network carrier customers and other businesses to design and produce small cell and macro system antennas, distributed antenna systems ("DAS") and multibeam antennas that support wireless coverage and mobile data capacity requirements. Wireless Infrastructure volumes are produced at the Company's plant in China.

c) The Asia Pacific business line works with OEM customers to design and produce antennas for mobile phones, smartphones and tablets. Asia Pacific volumes are produced at the Company's plant in Vietnam, taking advantage of a lower cost structure.

Satcom

The Satcom line of business designs and manufactures RF and microwave products for wireless communications markets and for commercial, critical infrastructure, government and military clients.

Advantech Wireless designs and manufactures customizable satellite RF and microwave products for highly specialized wireless communications markets, including:

- *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;
- *Microwave Components:* (i) point-to-point microwave radios; and, (ii) network management software;
- *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 and cruise ships; (iii) government and military; (iv) homeland security; (v) direct-to-home satellite; (vi) oil and gas; and, (vii) wireless communications.

SELECTED FINANCIAL INFORMATION

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

(in $000's except per share amounts)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**	**2022**	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Profit and Loss								
Revenue	**29,785**	27,196	2,589	9.5%	**120,860**	102,494	18,366	17.9%
Gross profit	**7,938**	8,782	(844)	(9.6%)	**32,911**	15,112	17,799	> 100.0%
Gross margin	**26.7%**	32.3%	(5.6%)	N/A	**27.2%**	14.7%	12.5%	N/A
Net loss	**(4,635)**	(20,125)	15,490	(77.0%)	**(16,877)**	(67,420)	50,543	(75.0%)
Basic and diluted net loss per share	**($0.06)**	($0.26)	$0.20	(76.9%)	**($0.21)**	($1.09)	$0.88	(80.7%)
EBITDA*	**(504)**	(10,050)	9,546	(95.0%)	**(1,975)**	(43,875)	41,900	(95.5%)
Adjusted EBITDA*	**606**	864	(258)	(29.9%)	**1,245**	(14,796)	16,041	N/A

	As at December 31, 2022	As at December 31, 2021	Change	Change
	$	**$**	**$**	**%**
Balance Sheet and Other				
Current assets	**50,453**	61,086	(10,633)	(17.4%)
Total assets	**74,384**	93,033	(18,649)	(20.0%)
Current liabilities	**65,505**	66,711	(1,206)	(1.8%)
Non-current liabilities	**12,139**	14,541	(2,402)	(16.5%)
Total liabilities	**77,644**	81,252	(3,608)	(4.4%)
Net debt*	**21,437**	12,295	9,142	74.4%
Backlog*	**38,067**	36,444	1,623	4.5%

** 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).*

Fiscal Year Summary

- Revenue of $120.9 million in fiscal 2022, an increase of $18.4 million or 17.9% compared to fiscal 2021. The increase was primarily due to stronger sales across all the North American business lines in fiscal 2022 despite continuing supply chain disruptions, chipset shortages and the COVID-19 pandemic, which also negatively impacted revenue in the prior fiscal year.
- Gross profit of $32.9 million in fiscal 2022, an increase of $17.8 million compared to $15.1 million in fiscal 2021. Gross margin (see "Non-IFRS Measures" on page 3 of this MD&A) was 27.2% in fiscal 2022 compared to 14.7% in fiscal 2021. The improved gross margin resulted from a balanced product mix due to both changes in pricing strategy and a data driven focus on contribution margin at the business line level. In fiscal 2022 the improvement was mainly generated by: (i) strong revenue recovery in the Embedded Antenna business line; (ii) operating and financial efficiencies in the Asia Pacific business line; and, (iii) consistent growth in the Wireless Infrastructure and Satcom business lines.
- Adjusted EBITDA (see "Non-IFRS Measures" on page 3 of this MD&A) of $1.2 million in fiscal 2022, an increase of $16.0 million compared to negative $14.8 million in fiscal 2021. The increase in Adjusted EBITDA was mainly due to the overall increase in revenue and gross profit discussed above, partially offset by an increase of $1.3 million in operating expenses (excluding non-current asset impairment) compared to the prior fiscal year.
- Backlog (see "Non-IFRS Measures" on page 3 of this MD&A) was $38.1 million as at December 31, 2022, an increase of $1.6 million compared to the backlog at December 31, 2021. The increase was mainly attributable to a higher level of backlog in the Satcom and Wireless Infrastructure business lines as a result of improved marketing, business development and sales activities.
- Net loss of $16.9 million in fiscal 2022 compared to a net loss of $67.4 million in fiscal 2021. The net loss in fiscal 2022 was primarily due to an operating loss of $12.4 million, interest expenses and other finance expenses. The net loss in fiscal 2021 included non-current asset impairments of $26.0 million and a $7.1 million reduction in the

carrying value of deferred tax assets. On a per share basis, a net loss of $0.21 per share in fiscal 2022 compared to a net loss of $1.09 per share in fiscal 2021.

- Net debt (see "Non-IFRS Measures" on page 3 of this MD&A) was $21.4 million as at December 31, 2022, an increase of $9.1 million from December 31, 2021, primarily due to an increase in non-cash working capital (see "Non-IFRS Measures" on page 3 of this MD&A), capital expenditures and interest payments.

Fourth Quarter Summary

- Revenue of $29.8 million in the fourth quarter of 2022, an increase of $2.6 million or 9.5% compared to the fourth quarter of 2021. The increase was mainly due to stronger sales in the Embedded Antenna business line, which was attributable to increased demand from new customers for home networking products.
- Gross profit of $7.9 million in the fourth quarter of 2022, a decrease of $0.9 million compared to the fourth quarter of 2021. Gross margin was 26.7% in the fourth quarter of 2022 compared to 32.3% in the fourth quarter of 2021. The higher gross margin in the fourth quarter of 2021 was primarily due to the impact of an inventory provision release of $1.6 million in the Satcom business line.
- Adjusted EBITDA of $0.6 million in the fourth quarter of 2022, the fifth consecutive quarter of positive Adjusted EBITDA. Adjusted EBITDA was a decrease of $0.3 million compared to the fourth quarter of 2021. The decrease in Adjusted EBITDA was mainly due to the decrease in gross profit discussed above, partially offset by a decrease of $0.7 million in operating expenses (excluding non-current asset impairment) compared to the prior year period.
- Net loss of $4.6 million in the fourth quarter of 2022 compared to a net loss of $20.1 million in the fourth quarter of 2021. The net loss in the fourth quarter of 2022 was primarily due to an operating loss of $3.0 million, interest expenses as well as income tax expenses. The net loss in the fourth quarter of 2021 included a non-current asset impairment provision of $10.1 million. On a per share basis, a net loss of $0.06 per share in the fourth quarter of 2022 compared to a net loss of $0.26 per share in the fourth quarter of 2021.

RECENT DEVELOPMENTS

Product Sales

Both Galtronics and Satcom received significant order for new products.

In early January 2023, Galtronics received orders for over $1 million for its innovative multibeam antenna on behalf of a major North American carrier. These orders followed the announcement in September 2022 that Galtronics had expanded its multibeam antenna portfolio with the addition of three new products. The new products all use patent pending beam-tracking stability technology, which makes them ideal solutions for stadium, venue, and special event deployments. Galtronics expects that the demand for mobile bandwidth will continue to grow as the need for high speed, high-density, ultra-fast cellular connections at stadiums, venues, airports, and other high traffic locations will only increase over time.

In late November 2022, Satcom received combined orders for its Summit II power amplifier systems of approximately $6.7 million, one for a large-scale western government program and the other for a deep space communication application for a European client. The Summit II system is a precursor to Summit III, a new solid-state power amplifier platform ("SSPA") for satellite communications called Genesis. The Genesis family of SSPAs provides high-end features that are unique to this product line, including a modular platform, streamlined manufacturability, and ease of serviceability.

Vietnam MMU Facility

On February 28, 2023, the Company announced that its Vietnamese subsidiary, Galtronics Vietnam Dai Dong Co., Ltd. ("GTD"), had completed the transfer of the lease of its MMU facility in Vietnam to a third party, which has assumed responsibility for GTD's obligations under the lease. The facility was originally intended to be an MMU antenna contract manufacturing facility, but never became operational, in part due to the COVID-19 pandemic. The original term of the lease ran until May 29, 2029. The rental and related costs associated with the lease over its remaining term were expected to total approximately $2.7 million. The transfer of the lease substantially completes the liquidation of GTD's assets other than a test chamber for which we continue to conduct a sales process.

OUTLOOK

The Company has now achieved five consecutive quarters of positive Adjusted EBITDA and consistently higher quarter over quarter gross margins in 2022 compared to 2021 other than in the fourth quarter of 2022. Nevertheless, the Company continues to face challenges brought about by macroeconomic environment, shortages in materials and increased material costs due to supply chain challenges and chipset shortages. These factors are expected to continue to cause delays in both the production and the delivery of our products as well as push-outs of orders from customers. We had expected that these disruptions would begin to ease over the second half of 2022, but now anticipate that they will continue into the first half of 2023. The ongoing war in Ukraine could continue to exacerbate supply chain disruptions. As a result of these continuing challenges, we expect 2023 to be somewhat consistent with 2022 results for revenue and Adjusted EBITDA in spite of the growth in the Company's backlog of purchase orders and improving margins.

Embedded Antenna Business Line

The Embedded Antenna business line had a very strong year in 2022 in which it made a significant contribution to the overall business and recorded record-high revenue and operating profit. We expect this business line will continue to perform strongly in 2023 although at a slightly reduced level from 2022. The results in 2022 were affected by customers pre-purchasing products to build a supply of stock in order to avoid supply chain disruptions. This is not expected to be repeated in 2023, reflecting more normalized purchasing patterns. We expect the home networking, public safety and automotive markets to remain resilient despite the economic slowdown and inflationary pressures.

Wireless Infrastructure Business Line

The Wireless Infrastructure business line is expected to continue to perform strongly in 2023 with improvements in both revenue and Adjusted EBITDA compared to 2022. We expect that DAS deployments will strengthen, particularly for use in stadiums and other venues requiring in-building wireless, and we expect that our new multibeam and innovative small cell antennas will open up new opportunities to drive sales with wireless carriers and third party operators who operate wireless mobile networks for their customers.

Asia Pacific Business Line

We expect 2023 will be extremely challenging for the Asia Pacific business line due to significant production volume reductions at its principal customer. Those reductions reflect a contraction in this customer's smartphone market in 2023, due in part to global economic slowdown and continuing inflation, as well as competitive pressures faced by the customer. Although the Asia Pacific business line expects to benefit from several new programs in 2023, those programs are not expected to generate any meaningful revenue until the second half of 2023. In the meantime, management is looking to reduce or eliminate operating and other costs, evaluating strategic alternatives, and working on potential financial support for the business in South Korea.

Satcom Business Line

The commercial side of the Satcom business line continues to demonstrate consistent demand with capital spending by our customers continuing the momentum seen in the fourth quarter of 2022. Given the capital build cycles of satellite operators and others in the Satcom ecosystem, we expect this will continue to benefit the business in 2023. We expect that our new Genesis line of solid-state power amplifiers will generate significant interest from commercial clients, particularly those in the aviation and maritime industries.

Sales for military and other government-related uses, which represents the balance of this business line, will continue and potentially increase in the first half of 2023, as many western countries have dramatically increased their defence spending. We have recently completed multiple technology upgrades within our product portfolio, which are expected to generate additional sales.

Overall, we expect revenue and Adjusted EBITDA in the first half of 2023 will be stronger than the second half of 2022. The Satcom business line continues to demonstrate a strong order book with improving margins, but production continues to be affected by supply chain constraints, chipset shortages and component delays. In particular, there is currently an acute shortage of field-effect transistors, an electronic component used to boost signals in amplifier products. The continued lack of availability of these transistors could have a material adverse impact on production and financial performance. In the meantime, we continue to take steps to improve production efficiencies in our facilities in order to address the backlog and improve overall revenue attainment.

FISCAL YEAR DISCUSSION OF OPERATIONS

Revenue and Gross Profit

(in $000's)

	Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**120,860**	**102,494**	**18,366**	**17.9%**
Cost of sales	87,949	87,382	567	0.6%
Gross profit	**32,911**	**15,112**	**17,799**	**> 100.0%**
Gross margin	27.2%	14.7%		

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

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

b) *Fiscal 2022 compared to Fiscal 2021*

The Company's revenue was $120.9 million in fiscal 2022 compared to $102.5 million in fiscal 2021, representing an increase of $18.4 million or 17.9%. The increase was mainly attributable to stronger sales across all the North American business lines in fiscal 2022 despite continuing supply chain disruptions, chipset shortages and the COVID-19 pandemic, which also negatively impacted revenue in fiscal 2021.

The Company's gross profit was $32.9 million in fiscal 2022 compared to $15.1 million in fiscal 2021. Gross margin was 27.2% in fiscal 2022 compared to 14.7% in fiscal 2021. The improved gross margin resulted from a balanced product mix due to both changes in pricing strategy and a data driven focus on contribution margin at the business line level. In fiscal 2022 the improvement was mainly generated by: (i) strong revenue recovery in the Embedded Antenna business line; (ii) operating and financial efficiencies in the Asia Pacific business line; and, (iii) consistent growth in the Wireless Infrastructure and Satcom business lines.

Selling and Marketing Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	5,201	6,225	(1,024)	(16.4%)
Other	2,939	1,739	1,200	69.0%
Total	**8,140**	**7,964**	**176**	**2.2%**
As a percentage of revenue	6.7%	7.8%		

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, such as the infrastructure market, and acquiring new customers, requiring meaningful investments to win new business.

b) *Fiscal 2022 compared to Fiscal 2021*

The Company's selling and marketing expenses in fiscal 2022 were $8.1 million (6.7% of revenue) compared to $8.0 million (7.8% of revenue) in fiscal 2021. The increase was mainly due to higher sales commissions as a result of stronger sales and higher travel and marketing expenditures in fiscal 2022, partially offset by lower salary and benefits expenses as a result of lower headcount of salespeople.

Research and Development Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Development costs	12,918	13,358	(440)	(3.3%)
Depreciation	362	324	38	11.7%
Total	**13,280**	**13,682**	**(402)**	**(2.9%)**
As a percentage of revenue	11.0%	13.3%		

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

b) *Fiscal 2022 compared to Fiscal 2021*

The Company's R&D expenses in fiscal 2022 were $13.3 million (11.0% of revenue) compared to $13.7 million (13.3% of revenue) in fiscal 2021. The decrease was primarily due to higher development costs in fiscal 2021 which included a one-time adjustment for lower Scientific Research and Experimental Development tax incentives for the Satcom business line.

General and Administrative Expenses

(in $000's)

	Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	7,993	7,466	527	7.1%
Other	8,820	7,592	1,228	16.2%
Depreciation	2,100	2,195	(95)	(4.3%)
Amortization	5,020	5,117	(97)	(1.9%)
Total	**23,933**	**22,370**	**1,563**	**7.0%**
As a percentage of revenue	19.8%	21.8%		

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 and amortization of intangibles.

b) Fiscal 2022 compared to Fiscal 2021

The Company's G&A expenses in fiscal 2022 were $23.9 million (19.8% of revenue) compared to $22.4 million (21.8% of revenue) in fiscal 2021. The increase in G&A expenses was mainly attributable to the expiration of government stimulus programs relating to COVID-19 relief for which $3.1 million was received in fiscal 2021 (see "Government Assistance Programs" on page 10 of this MD&A). A portion of the funds received was recorded as a reduction of Other G&A expenses. The increase in Other G&A expenses was also due to increased fees for consulting, legal and other professional fees relating to the Credit Agreement extension, which were primarily incurred in the first three quarters of fiscal 2022.

Government Assistance Programs

(in $000's)

		Twelve Months Ended December 31,			
		2022	**2021**	**Change**	**Change**
		$	**$**	**$**	**%**
Canada Emergency Wage / Rent Subsidy	Canada	-	2,150	(2,150)	(100.0%)
Paycheck Protection Program	USA	-	938	(938)	(100.0%)
Total		**-**	**3,088**	**(3,088)**	**(100.0%)**

The Company did not receive any government stimulus in fiscal 2022 relating to COVID-19 relief compared to $3.1 million received in fiscal 2021. All government stimulus received relating to COVID-19 relief were recorded as a reduction of cost of sales and operating expenses, respectively.

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 to Operating Loss

(in $000's)

	Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating loss	**(12,442)**	**(54,858)**	**42,416**	**(77.3%)**
Depreciation and amortization	10,467	10,983	(516)	(4.7%)
EBITDA	**(1,975)**	**(43,875)**	**41,900**	**(95.5%)**
Adjustments to EBITDA	3,220	29,079	(25,859)	(88.9%)
Adjusted EBITDA	**1,245**	**(14,796)**	**16,041**	**N/A**

Adjustments to EBITDA

(in $000's)

	Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses for litigation relating to acquisition agreements	692	509	183	36.0%
Expenses relating to planned restructuring following an acquisition	-	294	(294)	(100.0%)
Impairment on fixed and intangible assets (including goodwill) following an acquisition	72	25,954	(25,882)	(99.7%)
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	645	1,332	(687)	(51.6%)
Corporate re-organization expenses	438	16	422	> 100.0%
Non-cash compensation	1,373	974	399	41.0%
Total	**3,220**	**29,079**	**(25,859)**	**(88.9%)**

a) *Factors affecting Operating Loss, EBITDA and Adjusted EBITDA*

The Company's operating loss, EBITDA and Adjusted EBITDA are highly impacted by sales volumes, the mix of product sales, operating expenses and investment in R&D related to new products.

b) *Fiscal 2022 compared to Fiscal 2021*

The Company's operating loss in fiscal 2022 was $12.4 million compared to $54.9 million in fiscal 2021. The decrease was mainly attributable to higher gross profit in fiscal 2022, partially offset by higher operating expenses (excluding non-current asset impairment) compared to fiscal 2021. In fiscal 2021, the Company wrote off the goodwill balance for the Satcom business line associated with the acquisition of Alga Microwave Inc. and the RF, terrestrial microwave and antenna equipment business of Advantech Wireless Inc. and recorded an impairment charge of $15.9 million within operating expenses. In fiscal 2021, the Company also recorded an aggregate $10.0 million impairment provision for GTD's MMU facility in Vietnam and $0.1 million impairment provision for other facilities within operating expenses.

The Company's Adjusted EBITDA in fiscal 2022 was $1.2 million compared to negative $14.8 million in fiscal 2021. Adjustments to EBITDA amounting to $3.2 million in fiscal 2022 are detailed in the chart above.

Net Loss

(in $000's except per share amounts)

	Twelve Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Loss before income taxes	(16,494)	(60,749)	44,255	(72.8%)
Income tax expense	383	6,671	(6,288)	(94.3%)
Net loss	**(16,877)**	**(67,420)**	**50,543**	**(75.0%)**
Basic and diluted net loss per share	($0.21)	($1.09)	$0.88	(80.7%)

a) *Factors affecting Net Loss*

The Company's net loss is influenced by the factors noted above for operating loss and EBITDA.

b) Fiscal 2022 compared to Fiscal 2021

The Company's net loss in fiscal 2022 was $16.9 million compared to a net loss of $67.4 million in fiscal 2021. The net loss in fiscal 2022 was primarily due to an operating loss of $12.4 million, interest expenses and other finance expenses. On a per share basis, fiscal 2022 generated a net loss of $0.21 per share compared to a net loss of $1.09 per share in fiscal 2021.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	2022				2021			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Profit and Loss								
Revenue	**29,785**	29,967	30,134	30,974	27,196	30,216	21,622	23,460
Gross profit (loss)	**7,938**	7,902	9,015	8,056	8,782	6,282	(3,549)	3,597
Gross margin	**26.7%**	26.4%	29.9%	26.0%	32.3%	20.8%	(16.4%)	15.3%
Net loss	**(4,635)**	(4,861)	(4,308)	(3,073)	(20,125)	(4,898)	(33,935)	(8,462)
Basic and diluted net loss per share	**($0.06)**	($0.06)	($0.05)	($0.04)	($0.26)	($0.07)	($0.64)	($0.17)
EBITDA*	**(504)**	(679)	(546)	(246)	(10,050)	(1,222)	(29,887)	(2,716)
Adjusted EBITDA*	**606**	92	323	224	864	(682)	(12,721)	(2,257)
Balance Sheet and Other								
Current assets	**50,453**	54,744	54,344	60,713	61,086	57,104	48,087	61,261
Total assets	**74,384**	80,811	81,751	89,993	93,033	110,166	102,127	133,629
Current liabilities	**65,505**	62,857	59,395	63,225	66,711	45,745	57,794	55,647
Non-current liabilities	**12,139**	17,305	17,505	17,921	14,541	36,903	22,544	34,346
Total liabilities	**77,644**	80,162	76,900	81,146	81,252	82,648	80,338	89,993
Net debt*	**21,437**	21,513	21,354	17,373	12,295	15,243	24,437	21,352
Backlog*	**38,067**	37,406	37,702	38,216	36,444	29,393	24,961	20,529

** 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).*

The Company's backlog was $38.1 million at December 31, 2022, an increase of $1.6 million or 4.5% compared to the backlog of $36.4 million at December 31, 2021. The increase was attributable to a higher level of backlog in the Satcom and Wireless Infrastructure business lines as a result of improved marketing, business development and sales activities.

FOURTH QUARTER DISCUSSION OF OPERATIONS

Revenue and Gross Profit

(in $000's)

	Three Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	**29,785**	**27,196**	**2,589**	**9.5%**
Cost of sales	21,847	18,414	3,433	18.6%
Gross profit	**7,938**	**8,782**	**(844)**	**(9.6%)**
Gross margin	26.7%	32.3%		

- *Fourth Quarter of 2022 compared to Fourth Quarter of 2021*

The Company's revenue was $29.8 million in the fourth quarter of 2022 compared to $27.2 million in the fourth quarter of 2021, representing an increase of $2.6 million or 9.5%. The increase was primarily due to stronger sales in the Embedded Antenna business line which was attributable to increased demand from new customers for home networking products.

The Company’s gross profit was $7.9 million in the fourth quarter of 2022, a decrease of $0.9 million compared to the fourth quarter of 2021. Gross margin was 26.7% in the fourth quarter of 2022 compared to 32.3% in the fourth quarter of 2021. The higher gross margin in the fourth quarter of 2021 was primarily due to the impact of an inventory provision release of $1.6 million in the Satcom business line.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	1,347	1,578	(231)	(14.6%)
Other	726	641	85	13.3%
Total	**2,073**	**2,219**	**(146)**	**(6.6%)**
As a percentage of revenue	7.0%	8.2%		

- *Fourth Quarter of 2022 compared to Fourth Quarter of 2021*

The Company’s selling and marketing expenses in the fourth quarter of 2022 were $2.1 million (7.0% of revenue) compared to $2.2 million (8.2% of revenue) in the fourth quarter of 2021. Selling and marketing expenses in the fourth quarter of 2022 remained largely consistent with the prior year period.

Research and Development Expenses

(in $000's)

	Three Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Development costs	3,117	2,966	151	5.1%
Depreciation	121	56	65	> 100.0%
Total	**3,238**	**3,022**	**216**	**7.1%**
As a percentage of revenue	10.9%	11.1%		

- *Fourth Quarter of 2022 compared to Fourth Quarter of 2021*

The Company’s R&D expenses in the fourth quarter of 2022 were $3.2 million (10.9% of revenue) compared to $3.0 million (11.1% of revenue) in the fourth quarter of 2021. The increase was mainly due to higher expenses incurred for the development of new antenna products in the fourth quarter of 2022, while lower development costs such as consulting fee were incurred in the fourth quarter of 2021 as a result of cost reduction measures.

General and Administrative Expenses

(in $000's)

	Three Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Payroll	2,083	1,885	198	10.5%
Other	1,885	2,492	(607)	(24.4%)
Depreciation	345	576	(231)	(40.1%)
Amortization	1,275	1,357	(82)	(6.0%)
Total	**5,588**	**6,310**	**(722)**	**(11.4%)**
As a percentage of revenue	18.8%	23.2%		

- *Fourth Quarter of 2022 compared to Fourth Quarter of 2021*

  The Company's G&A expenses in the fourth quarter of 2022 were $5.6 million (18.8% of revenue) compared to $6.3 million (23.2% of revenue) in the fourth quarter of 2021. The decrease was primarily due to lower expenses incurred for consulting, legal and other professional fees in the fourth quarter of 2022 compared to the prior year period.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are reconciled as follows:

Reconciliation to Operating Loss

(in $000's)

	Three Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Operating loss	**(2,961)**	**(12,815)**	**9,854**	**(76.9%)**
Depreciation and amortization	2,457	2,765	(308)	(11.1%)
EBITDA	**(504)**	**(10,050)**	**9,546**	**(95.0%)**
Adjustments to EBITDA	1,110	10,914	(9,804)	(89.8%)
Adjusted EBITDA	**606**	**864**	**(258)**	**(29.9%)**

Adjustments to EBITDA

(in $000's)

	Three Months Ended December 31,			
	***2022**	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Expenses for litigation relating to acquisition agreements	281	142	139	97.9%
Expenses relating to planned restructuring following an acquisition	(524)	194	(718)	N/A
Impairment on fixed and intangible assets (including goodwill) following an acquisition	72	10,046	(9,974)	(99.3%)
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	576	230	346	> 100.0%
Corporate re-organization expenses	348	4	344	> 100.0%
Non-cash compensation	357	298	59	19.8%
Total	**1,110**	**10,914**	**(9,804)**	**(89.8%)**

** Fourth quarter of 2022 included re-classifications of certain adjustments to EBITDA incurred in the nine months ended September 30, 2022.*

- *Fourth Quarter of 2022 compared to Fourth Quarter of 2021*

  The Company's operating loss in the fourth quarter of 2022 was $3.0 million compared to $12.8 million in the fourth quarter of 2021. The decrease was mainly due to lower operating expenses in the fourth quarter of 2022, partially offset by lower gross profit compared to the prior year period.

  The Company's Adjusted EBITDA in the fourth quarter of 2022 was $0.6 million compared to $0.9 million in the fourth quarter of 2021. Adjustments to EBITDA amounting to $1.1 million in the fourth quarter of 2022 are detailed in the chart above.

Net Loss

(in $000's except per share amounts)

	Three Months Ended December 31,			
	2022	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**
Loss before income taxes	(3,939)	(13,288)	9,349	(70.4%)
Income tax expense	696	6,837	(6,141)	(89.8%)
Net loss	**(4,635)**	**(20,125)**	**15,490**	**(77.0%)**
Basic and diluted net loss per share	($0.06)	($0.26)	$0.20	(76.9%)

- *Fourth Quarter of 2022 compared to Fourth Quarter of 2021*

  The Company's net loss in the fourth quarter of 2022 was $4.6 million compared to a net loss of $20.1 million in the fourth quarter of 2021. The net loss in the fourth quarter of 2022 was primarily due to the operating loss discussed above as well as interest expense and income tax expense. On a per share basis, the fourth quarter of 2022 produced a net loss of $0.06 per share compared to a net loss of $0.26 per share in the fourth quarter of 2021.

NET DEBT, CAPITAL RESOURCES AND LIQUIDITY

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

Net Debt

(in $000's)

	As at December 31, 2022	**As at December 31, 2021**
	$	**$**
Total Debt	28,816	31,969
Less: Cash and cash equivalents	(7,379)	(19,674)
Net Debt	**21,437**	**12,295**

The Company had net debt as at December 31, 2022 and December 31, 2021 of $21.4 million and $12.3 million, respectively. The increase was mainly attributable to interest payments of $2.8 million, an increase in non-cash working capital of $2.6 million, as well as capital expenditures of $1.8 million.

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 capacity 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 and term credit facility (see "Credit from banks and loans" on page 17 of this MD&A).

Working capital requirements

Working capital requirements are mainly for materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements could increase due to increased revenue, customer payment delays, increased inventory levels to meet additional demand, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at December 31, 2022, the Company's CCC was 62 days compared to 47 days as at December 31, 2021. The increase was mainly due to shorter days payable outstanding in an effort to catch up payments to suppliers during the twelve months ended December 31, 2022.

During the twelve months ended December 31, 2022, working capital increased by $2.6 million. The increase primarily resulted from the following factors:

a) Inventories as at December 31, 2022 were $18.4 million compared to $15.8 million as at December 31, 2021. The increase was primarily due to investment in inventory for the Satcom business line during fiscal 2022 to mitigate supply chain risks and long lead times in order to support the increased backlog and demand.

b) Accounts payable and accrued liabilities as at December 31, 2022 were $30.0 million compared to $28.6 million as at December 31, 2021. The increase was mainly attributable to the extensions in days payable outstanding in the latter part of fiscal 2022.

Commitment for capital expenditures

As at December 31, 2022, the Company had an aggregate commitment for capital expenditures of approximately $0.2 million.

Credit from banks and loans

On March 29, 2019, the Company entered into a credit agreement (the "Credit Agreement") with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") pursuant to which the Lenders established in favour of the Company a revolving credit facility (the "Revolving Facility") for up to $15 million and a term credit facility ("Term Loan") for up to $28.4 million (together, the "Credit Facilities"). The Credit Facilities are guaranteed by the Company's principal operating subsidiaries (other than those in Vietnam) and are secured by substantially all the assets of the Company and the guarantors. The Credit Agreement originally included financial covenants, including a Senior Debt to Equity Ratio and a Fixed Charge Coverage Ratio (each as defined in the Credit Agreement), minimum EBITDA (as defined in the Credit Agreement) and minimum Liquidity (as defined in the Credit Agreement). The Credit Agreement also includes other customary positive and negative covenants (including limitations on dispositions, additional debt, investments, distributions, capital expenditures, changes to the business and financial assistance), and events of default.

The availability of the Revolving Facility is based on the Company's accounts receivables and inventory balances. The interest rate on the Revolving Facility is determined based on the type of advance, the applicable margin and the Company's Senior Debt to EBITDA Ratio. Interest is payable monthly in arrears.

The Company may draw on its available revolving credit facilities under the Revolving Facility as well as revolving credit facilities with banks domiciled in China and South Korea, as needed. As at December 31, 2022, the Company's aggregate revolving credit facilities were $18.8 million, of which $12.7 million was drawn and utilized. As at December 31, 2022, $9.0 million was outstanding under the Revolving Facility.

The principal amount under the Term Loan was fully advanced in US dollars and was used to repay existing indebtedness. Quarterly principal repayments in the amount of $1.0 million commenced on June 30, 2019, with the scheduled principal repayments for June 30 and September 30, 2020 being deferred with the consent of the Lenders.

The Credit Agreement has previously been amended, most recently as of September 14, 2022. The effect of these amendments is that:

- the maturity date of the Credit Facilities is September 29, 2023;
- the interest rate on the Credit Facilities is based on the US Base Rate (as defined in the Credit Agreement);
- the Senior Debt to EBITDA Ratio and Fixed Charge Coverage Ratio does not apply during the remaining term of the Credit Facilities;
- the Company is required to maintain a minimum Liquidity of $7.5 million until December 31, 2022 and $4 million thereafter;
- the Company is required to maintain a minimum EBITDA for the twelve months ending September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023;
- the maximum availability under the Revolving Facility is $15 million; and,
- at any time the Senior Debt to EBITDA Ratio is equal to or more than 2.75:1.00, the margin on US Base Rate loans is 2.50% and the standby fee is 0.70%.

The Credit Facilities are currently advanced in US dollars. With effect from March 29, 2022, the US Base Rate applies to the Credit Facilities, with the interest rate being 10.50% as at December 31, 2022 (including the applicable margin of 2.50%).

Galtronics Vietnam Dai Dong Company Limited ("GTD"), one of the Company's subsidiaries in Vietnam, and HSBC Bank (Vietnam) Ltd. ("HSBC Vietnam"), are parties to a credit agreement dated October 14, 2020, as amended (the "Vietnam Credit Agreement"), pursuant to which HSBC Vietnam established a credit facility in favour of GTD for up to $3.3 million in Vietnamese Dong currency equivalent (the "Vietnam Loan"). As at December 31, 2022, $0.9 million was outstanding under the Vietnam Loan. The interest rate on the Vietnam Loan is determined based on the base lending rate in Vietnam plus a margin of up to 2%, and the interest is payable semi-annually in arrears. The Vietnam Loan matures on August 18, 2023. It is repayable in four equal quarterly amounts, of which there are two payments of $0.3 million remaining due on May 18, 2023 and on maturity. The Company's other Vietnamese subsidiary, Galtronics Vietnam Co., Ltd. ("GTV"), is a guarantor of the Vietnam Loan. The Vietnam Loan is secured by certain assets of GTD and GTV. The Vietnam Credit Agreement includes customary covenants and events of default. Baylin is a guarantor of the Vietnam Loan.

Convertible debentures

On July 10, 2018, the Company issued $17.25 million of extendible convertible unsecured debentures (the "Debentures"). The Debentures bear interest at a rate of 6.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year and mature on July 10, 2023 (the "Maturity Date").

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 $3.85 per common share (the "Conversion Price"), being a ratio of approximately 260 common shares per $1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the convertible debenture indenture dated July 10, 2018 (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.

Following approval of the holders of Debentures on April 8, 2021 and of the shareholders of the Company on May 11, 2021, the Indenture was amended (the "Amendment") to reduce, for a period of 30 days, the Conversion Price from $3.85 to $1.11, the current market price of the common shares at the time the Amendment became effective on May 19, 2021 determined in accordance with the Amendment (the "New Conversion Price"). The terms of the Debentures otherwise remained unchanged. As a result of the Amendment, holders of $12.135 million principal amount of the Debentures converted their Debentures into 10,932,429 common shares of the Company at the New Conversion Price, leaving $5.115 million 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.

Upon a Change of Control (as defined in the Indenture) 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.sedar.com.

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 as of March 9, 2022, 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") and stock options. The Omnibus Plan replaced the separate Deferred Share Unit Plan ("DSU Plan"), Stock Option Plan and Employee Share Compensation Plan ("ESCP"). Awards granted after August 13, 2020 are governed by the Omnibus Plan. Awards granted before that date will continue to be governed by the plan under which they were granted. The number of common shares issuable under the Omnibus Plan, and any other security-based compensation arrangements, including the DSU Plan, Stock Option Plan and ESCP, may not exceed 10% 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 restricted common shares of Baylin. The DSUs and restricted common shares are issued on a monthly basis while the director serves as a board member and vest immediately. The DSUs are settled after the member ceases to be a director.

The following table lists the number of DSUs outstanding as at December 31, 2022 and December 31, 2021:

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2022	923,315	$1.45
DSUs granted during 2022	614,199	$0.43
DSUs outstanding as at December 31, 2022	1,537,514	$1.04

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2021	583,106	$1.96
DSUs granted during 2021	370,144	$1.00
DSUs redeemed during 2021	(29,935)	$3.15
DSUs outstanding as at December 31, 2021	923,315	$1.45

The Company recognized a DSU expense of $0.3 million during the twelve months ended December 31, 2022, which was included in G&A expenses.

Stock Option Grants

Stock options may be granted by the board of directors to directors, 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 over three to five 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 seven years after the grant date.

The table below summarizes stock option grants as at December 31, 2022:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at December 31, 2022	Options vested as at December 31, 2021	Options exercised, surrendered, expired or cancelled as at December 31, 2022	Options net outstanding as at December 31, 2022
Mar. 30, 2017	685,000	$1.98	Mar. 30, 2022	-	456,666	685,000	-
Aug. 8, 2017	500,000	$2.00	Aug. 8, 2022	-	500,000	500,000	-
Mar. 10, 2018	30,000	$3.51	Mar. 10, 2023	-	20,000	30,000	-
May 17, 2018	275,000	$3.34	May 17, 2023	-	181,666	275,000	-
May 22, 2018	25,000	$3.34	May 22, 2023	-	5,000	25,000	-
Jul. 11, 2018	197,500	$3.50	Jul. 11, 2023	81,200	81,200	187,500	10,000
Nov. 9, 2018	250,000	$3.84	Nov. 9, 2023	250,000	250,000	-	250,000
Mar. 25, 2019	325,000	$3.89	Mar. 25, 2024	-	70,000	325,000	-
May 21, 2019	270,000	$3.57	May 21, 2024	250,000	180,000	20,000	250,000
Aug. 16, 2019	60,000	$3.18	Aug. 16, 2024	-	40,000	60,000	-
Nov. 23, 2020	150,000	$0.87	Nov. 23, 2025	100,000	50,000	-	150,000
Jun. 21, 2021	900,000	$1.05	Jun. 21, 2026	300,000	-	-	900,000
Aug. 23, 2021	75,000	$0.78	Aug. 23, 2026	25,000	-	-	75,000
Jan. 4, 2022	400,000	$0.86	Jan. 4, 2027	-	-	-	400,000
Mar. 21, 2022	2,285,000	$0.79	Mar. 21, 2027	-	-	14,000	2,271,000
May 23, 2022	150,000	$0.59	May 23, 2027	24,996	-	-	150,000
Sep. 26, 2022	5,000	$0.33	Sep. 26, 2027	-	-	-	5,000
Nov. 21, 2022	14,000	$0.33	Nov. 21, 2027	-	-	-	14,000
	6,596,500			1,031,196	1,834,532	2,121,500	4,475,000

The Company recognized a stock option expense of $1.0 million during the twelve months ended December 31, 2022, which was included in G&A expenses.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements consist of the Credit Facilities disclosed in "Credit from banks and loans" section of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

Private Placements

On June 30, 2020, certain directors and management purchased 267,566 Common Shares by way of private placement. The Common Shares were issued at $0.9259 per Common Share, representing 85% of the volume-weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days ended June 29, 2020.

On December 15, 2020, the Company issued by way of private placement 6,666,700 Units at $0.75 each for proceeds of $5 million, each Unit comprising one Common Share and one-half of a common share purchase warrant. Each whole warrant (of which there were 3,333,350) entitled the holder to acquire one Common Share at an exercise price of $1.05 per Common Share. 2385796 Ontario Inc. (the "Principal Shareholder"), a company over which Mr. Jeffrey C. Royer, the Company's Chairman of the Board of Directors, exercises investment control, and another insider purchased a total of 1,416,600 Units. In March 2021, the Principal Shareholder and the other insider exercised their warrants to acquire 708,300 Common Shares.

On June 17, 2021, the Principal Shareholder exercised its right as a holder of Convertible Debentures to convert $8,692,000 principal amount of the Convertible Debentures (representing its entire holding) into 7,830,630 Common Shares at a conversion price of $1.11.

In August 2021, the Company announced a private placement of a minimum of 11,765,000 Common Shares and up to a maximum of 17,648,000 Common Shares. On September 1, 2021, the Company completed the first tranche of the private placement, issuing 11,765,000 Common Shares at a price of $0.85 per Common Share for proceeds of $10 million, all of which were purchased by the Principal Shareholder. On October 21, 2021, the Company completed the second (and final) tranche of the private placement, issuing 5,883,000 Common Shares at a price of $0.85 per Common Share for proceeds of $5 million, of which the Principal Shareholder purchased 5,460,192 Common Shares and other insiders of the Company purchased the remaining 422,808 Common Shares. The Company relied on the "financial hardship" exemption available to it under the rules of the Toronto Stock Exchange to permit the Principal Shareholder and other insiders to purchase more than 10% of the number of Common Shares then outstanding without having to obtain disinterested shareholder approval.

SpaceBridge Inc.

In January 2018, the Company acquired the Advantech Wireless business (the "Advantech Acquisition") from Advantech Wireless Inc. (now known as SpaceBridge Inc. (the "Advantech Vendor")), which is owned and controlled by David Gelerman, a director of the Company until April 3, 2020.

Pursuant to the terms of the Advantech Acquisition, the Advantech Vendor was entitled to additional compensation of between $0.75 million and $3.0 million per year in each of 2018 and 2019 conditional on the Advantech Wireless business meeting certain EBITDA targets in those years. The EBITDA targets were not met in 2018 and 2019. On June 1, 2020, the Advantech Vendor contested that the 2019 EBITDA targets were not met. The Company is opposing the objection.

Executive officer remuneration

Short-term benefits, pension and post-retirement benefits of the Company's executive officers amounted to $5.6 million for the twelve months ended December 31, 2022 compared to $4.9 million for the twelve months ended December 31, 2021. These amounts comprise of executive officers' salary and benefits earned during the year, plus bonuses awarded for the year. The amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the current year of service.

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. For the twelve months ended December 31, 2022, the Company paid $125,000 in cash to Mr. Royer.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Operating segments

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

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset exceeds its recoverable amount. In evaluating impairment, the Company determines recoverable amount based on value in use. The fair value of property plant and equipment and finite-life intangible assets is determined using the discounted cash flow ("DCF") approach for certain assets. The value in use of indefinite life intangibles and goodwill are based on estimated discounted future cash flows.

Discounted future cash flows include a number of estimates and assumptions surrounding assumed growth rates, number of years in discounted future cash flow models and the discount rate.

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgement.

Leases

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

Income taxes

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

Business combination

Management applies IFRS 3, Business Combinations, to account for business acquisitions. Significant judgement is required in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any.

Share-based payments

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

Deferred tax assets and liabilities

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

Intercompany net investment

Long term receivables or loans owed by the Company's foreign operations to the Company may have exchange gains and losses. Judgement is required to determine if the long term receivable or loan form part of the Company's net investment in the foreign operation based on whether settlement is neither planned nor likely to occur in the foreseeable future. In this case, exchange differences are recognized in other comprehensive income rather than net loss.

Provision for impairment of inventories

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

Going Concern

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

In assessing the Company's ability to continue as a going concern, management has a reasonable expectation that the Company will be able (i) to fund operating and debt service requirements for the next 12 months and (ii) to refinance the Revolving Facility and Term Loan when they mature on September 29, 2023.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Interest rate risk

With respect to interest rate risk, the interest rate on the Credit Facilities is based on the US Base Rate, which is a variable rate of interest (see "Credit from banks and loans" on page 17 of this MD&A). As such, the US Base Rate is 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 1% increase in the interest rate applicable to the Credit Facilities will result in additional interest cost of approximately $0.2 million annually (assuming $24.2 million remains outstanding under the Credit Facilities).

Foreign exchange risk

A portion of the Company's transactions are denominated in currencies other than the functional currency of the respective subsidiary. As a result, the Company is exposed to foreign exchange risk on these transactions. The Company's objective in managing its foreign exchange risk is to minimize its exposure to currencies other than its functional currency. Gains and losses are primarily derived from changes in the Canadian dollar exchange rate in relation to the United States dollar.

Credit risk

A significant portion of the Company's products are sold to a limited number of major customers located primarily in North America and Asia. The top three customers in any given year may not be the same top three customers in a previous or subsequent year. The loss of, or a significant reduction in, orders from one or more of our major customers would adversely affect the Company's business, results of operations and financial condition. The Company recognized an aggregate of 37% and 37% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the twelve months ended December 31, 2022 and December 31, 2021, respectively. The Company's strategy in managing this risk is to diversify its customer base by expanding its product portfolio and enhancing its sales and marketing efforts.

The Company and its subsidiaries typically extend 30 to 90-day credit terms to their customers and regularly monitor the credit extended to such customers and their general financial condition but do not require collateral as security for these receivables. The Company provides an allowance for expected credit losses based on the factors that affect the credit risk of certain customers, past experience and other information including the impact of the COVID-19 pandemic. The Company also assesses expected credit losses based on its judgment of whether customers are able to pay or to pay on time in order to determine whether additional credit losses are expected. The Company mitigates the credit risk by purchasing credit insurance primarily provided by Export Development Canada and Coface.

Liquidity risk

The Company monitors its liquidity risk through the use of quarterly budgets, weekly cash flow projections, and close monitoring of the Company's accounts receivable balances, inventory build and payment to suppliers. The objective is to maintain sufficient liquidity in its operating entities through a combination of cash on hand, availability under the revolving credit facilities and generating operating cash flow. The Company also regularly monitors the amounts owing to its Chinese subsidiary by other subsidiaries to ensure its compliance with China's State of Administration of Foreign Exchange requirements. The Company also assesses the impact of the COVID-19 pandemic and determines whether there are sales volume or project deployment delays which would adversely affect future cash flows and liquidity.

OUTSTANDING SHARE DATA

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

- 80,340,954 common shares; and,
- $5.115 million principal amount of Debentures.

The number of common shares issuable under the Omnibus Plan and any other security-based compensation arrangements of the Company may not exceed 10% of the number of common shares outstanding from time to time, being as at the date of this MD&A 8,034,095 common shares. As at the date of this MD&A, 1,914,134 common shares are available to be issued under the Omnibus Plan.

The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earlier of: (i) the last business day before the Maturity Date; or, (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of $3.85 per common share, being a ratio of approximately 260 common shares per $1,000 principal amount of Debentures, subject to adjustment in certain events 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

There were no changes in our internal control over financial reporting during the twelve months ended December 31, 2022 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.sedar.com.

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 8, 2023, which is available under the Company's profile on SEDAR at www.sedar.com.