



MANAGEMENT'S DISCUSSION & ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Three Months Ended March 31, 2026
Dated May 13, 2026

Baylin Technologies Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three Months Ended March 31, 2026

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") has been 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, 2025 (the "Annual Financial Statements") and the unaudited interim condensed consolidated financial statements of Baylin and related notes thereto for the three months ended March 31, 2026 (the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to May 13, 2026, 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.

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", "estimate", "expect", "forecast", "indicate", "intend", "likely", "may", "outlook", "plan", "potential", "project", "seek", "should", "target", "trend", "will" or "would" 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 tax expense (recovery), interest and other finance expense (income), investment income, fair value adjustments, depreciation and amortization;
- vii. "Adjusted EBITDA", which refers to EBITDA adjusted for the impact of certain items, including asset impairment charges, expenses from mergers and acquisitions, costs of reorganization of a business, gain or loss on the sale of a business including related expenses, legal costs arising from significant non-operating activities, severance and executive recruitment costs, and share-based compensation.
- 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 operating income (loss).

OVERVIEW

Background and Description of Operations

Baylin is a diversified global wireless technology company. The Company focuses 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.

The Company has changed the name of Embedded Antenna business line to Custom Antenna Solutions business line to better represent its business and products.

Galtronics

The Galtronics line of business, established in 1978, designs and manufactures innovative custom antenna products and solutions for the most complex RF challenges and provides superior RF performance and connectivity for our customers. The Galtronics line of business is comprised of two business lines: a) Wireless Infrastructure; and b) Custom Antenna Solutions.

- a) 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”), as well as multibeam antennas that support wireless coverage and mobile data capacity requirements. The Wireless Infrastructure volumes are produced at the Company’s facility in China and third-party facilities in Vietnam.
- b) The Custom Antenna Solutions 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. The Custom Antenna Solutions 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:

- *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 United States.

SELECTED FINANCIAL INFORMATION

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

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

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Profit and Loss				
Revenue	16,064	18,866	(2,802)	(14.9%)
Gross profit	6,669	8,003	(1,334)	(16.7%)
Gross margin	41.5%	42.4%	(0.9 pp)	(2.1%)
Net loss	(2,319)	(2,042)	(277)	13.6%
Basic and diluted net loss per share	(\$0.02)	(\$0.01)	(\$0.01)	100.0%
EBITDA*	(512)	(525)	13	(2.5%)
Adjusted EBITDA*	62	680	(618)	(90.9%)

	As at	As at	Change	Change	As at	As at	Change	Change
	March 31, 2026	March 31, 2025			March 31, 2026	December 31, 2025		
	\$	\$	\$	%	\$	\$	\$	%
Balance Sheet and Other								
Current assets	40,588	35,072	5,516	15.7%	40,588	39,413	1,175	3.0%
Total assets	46,569	47,372	(803)	(1.7%)	46,569	45,377	1,192	2.6%
Current liabilities	53,004	44,068	8,936	20.3%	53,004	50,582	2,422	4.8%
Total liabilities	59,920	57,825	2,095	3.6%	59,920	57,026	2,894	5.1%
Net debt*	12,064	12,096	(32)	(0.3%)	12,064	12,395	(331)	(2.7%)
Backlog*	22,914	32,502	(9,588)	(29.5%)	22,914	20,404	2,510	12.3%

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

FIRST QUARTER SUMMARY

- Revenue of \$16.1 million compared to \$18.9 million in the first quarter of 2025. The decrease was primarily due to lower sales volume in the first quarter of 2026 from the Satcom business line, and to a lesser extent, the Wireless Infrastructure business line, in each case due to softer market conditions compared to the prior year period.
- Gross profit of \$6.7 million compared to \$8.0 million in the first quarter of 2025. The decrease was mainly due to the revenue decline in the first quarter of 2026 as discussed above. Gross margin (see "Non-IFRS Measures" on page 3 of this MD&A) of 41.5% compared to 42.4% in the first quarter of 2025. The decrease of gross margin caused by lower revenue was offset by a more favourable product mix in the Custom Antenna Solutions business line and improved gross margin in the Satcom business line.
- Adjusted EBITDA (see "Non-IFRS Measures" on page 3 of this MD&A) of \$0.1 million compared to \$0.7 million in the first quarter of 2025. The decrease in Adjusted EBITDA in the first quarter of 2026 was primarily due to the gross profit decrease as discussed above, offset in part by a reduction in operating expenses compared to the prior year period.
- Net loss of \$2.3 million compared to \$2.0 million in the first quarter of 2025. The net loss in the first quarter of 2026 was mainly due to an operating loss of \$1.5 million plus interest and other finance expenses. On a per share basis, a net loss of \$0.02 per share in the first quarter of 2026 compared to a net loss of \$0.01 per share in the first quarter of 2025.
- Net debt (see "Non-IFRS Measures" on page 3 of this MD&A) of \$12.1 million at March 31, 2026, a decrease of \$0.3 million from December 31, 2025, largely driven by cash generated from positive working capital movements in the first quarter of 2026.

- Backlog (see “*Non-IFRS Measures*” on page 3 of this MD&A) of \$22.9 million at March 31, 2026 compared to \$20.4 million at December 31, 2025. The stronger backlog was mainly due to an increase in new order intake in the Wireless Infrastructure and Satcom business lines during the first quarter of 2026. Backlog was \$21.9 million at April 30, 2026.

RECENT DEVELOPMENTS

Acquisition of Kaelus AB

The Company continues to engage actively with a prospective lender and the shareholders of Kaelus AB to finalize the credit and other agreements in order to obtain the debt financing necessary to complete the acquisition of Kaelus AB. Subject to agreement on the terms of those agreements, the Company is targeting completion of the acquisition before the end of the second quarter of 2026. However, there can be no assurance the parties will be able to settle those agreements on mutually acceptable terms, failing which the acquisition may not be completed.

Credit Facilities

The Company and its principal lender have agreed to a short-term extension of the Company’s existing revolving credit facility from April 30, 2026 to May 31, 2026. As a condition to the completion of the acquisition of Kaelus AB, the revolving credit facility will be repaid in full.

Satcom Restructuring

In April 2026, the Company took further steps to align Satcom cost structure with its reduced production volume and order flow by placing 19 employees on temporary layoff. Of the remaining 70 employees, 60 will be part of a federal government sponsored work-share program. The work-share program involves reducing regular working hours by 10% to 60%, with employees in the program receiving employment insurance benefits to compensate for lost wages. The program generally lasts for up to six months.

Convertible Debentures – Payment in Common Shares at Maturity

The Company’s 8.5% Convertible Unsecured Debentures (the “Convertible Debentures”) mature on June 30, 2026 (the “Maturity Date”). Under the terms of the Convertible Debentures, the Company has the right to pay the principal amount of the Convertible Debentures due on the Maturity Date in common shares of the Company at 95% of their current market price, as determined in accordance with the terms of the Convertible Debentures (the “Common Share Repayment Right”). The Company intends to exercise the Common Share Repayment Right and elect to pay the principal amount of the Convertible Debentures on the Maturity Date by issuing freely tradeable common shares to holders of the Convertible Debentures, rather than paying the principal amount in cash, subject to compliance with the terms of the Convertible Debentures, including listing of the common shares on the TSX. The number of common shares to be issued will be equal to the principal amount of the Convertible Debentures then outstanding (currently, \$5.115 million) divided by 95% of the current market price of the common shares (which will be calculated based on the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending five days before the Maturity Date).

OUTLOOK

Corporate

The Company achieved a modest positive Adjusted EBITDA in the first quarter of 2026, the ninth consecutive quarter of positive Adjusted EBITDA, despite lower revenue and gross profit than the first quarter of 2025. The macroeconomic environment remains a challenge for the Company, particularly given current geopolitical factors, combined with continuing uncertainty over the impact of US tariff policy, changes in the customer purchasing behaviour driven by uncertainty over tariffs, and the level of inflation and interest rates. In addition, recent disruptions to Middle Eastern oil supply have led to a sharp increase in oil and fuel prices, with broader impacts on transportation, logistics, and other production costs across multiple industries.

Despite these challenges and uncertainties, we remain committed to our core principles: clear market driven strategies, cost containment, prioritizing research and development and product development, and focusing on revenue growth and margin improvement. Based on our current assessment of the market for each business line, we expect (i) continuing strength in sales and gross margins in the Wireless Infrastructure business line; (ii) sales volume growth and continuing strong gross margins in the Custom Antenna Solutions business line; and, (iii) challenging industry conditions leading to lower sales and increased cash needs in the Satcom business line.

Wireless Infrastructure Business Line

Wireless Infrastructure delivered softer financial results in the first quarter of 2026 compared to the first quarter of 2025. However, we expect to see stronger sales of its multibeam and innovative small cell antennas as well as increased stadium deployments beginning in the second quarter and continuing through the remainder of 2026. We are continuing to leverage the competitive advantages that our multibeam antennas provide in order to open up additional global opportunities and drive further sales with wireless carriers and third-party operators who operate wireless mobile networks for customers. We are continuing to expand market penetration, including the domestic market in Canada, where we believe there are significant opportunities for us to penetrate the major Canadian carriers. The Wireless Infrastructure business line is also in the process of commercializing a new derivative of its patented multibeam antenna and has several carriers asking for a trial. Based on our current assessment for 2026, we still anticipate that Wireless Infrastructure's performance in revenue, gross profit and Adjusted EBITDA will be comparable to 2025, which was a very strong year.

Custom Antenna Solutions Business Line

Custom Antenna Solutions performed at reasonable levels in the first quarter of 2026. Although its revenue was largely consistent with the prior year period, the business line managed to improve its gross margins and operational efficiency, resulting in stronger Adjusted EBITDA compared to the first quarter of 2025. For now, we anticipate the Custom Antenna Solutions business line to see further recovery in demand in the second quarter, and the full-year revenue of 2026 is expected to be stronger than 2025. The number of active bids for new projects remains at a solid level.

Satcom Business Line

Satcom had a challenging first quarter of 2026. In large part, this was due to reduced demand for its products, particularly its specialized custom engineered products, such as high power amplifiers for use in military, government, and broadcast applications. Although Satcom's backlog increased in the first quarter, it remains at historically low levels; opportunities for new projects remain strong, but converting those opportunities into new orders fell below expectations. Overall, we expect Satcom's 2026 financial performance to be significantly weaker than 2025. Management continues to assess its business and cost structure in light of its poor financial position.

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

Tariffs

The Company continues to take proactive steps to monitor and mitigate the effect of US tariffs across all its business lines.

Wireless Infrastructure's products are manufactured in our facility in China or third-party facilities in Vietnam. The actual gross margin impact of tariffs on Wireless Infrastructure has been mitigated to a level much lower than the applicable tariff 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.

Custom Antenna Solutions is currently not directly affected by US tariffs on China. Although Custom Antenna Solutions' products are manufactured in our facility in China or third-party facilities in Vietnam, they are shipped from there to contract manufacturers elsewhere in Asia for embedding in the final products of those contract manufacturers.

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. Satcom's products are compliant with Canada's free trade agreement with the US and Mexico and, therefore, are not subject to the tariffs otherwise applicable on Canadian goods. This status may change with the Canada–United States–Mexico Agreement heading into its first mandatory 6-year joint review scheduled to commence on July 1, 2026.

DISCUSSION OF OPERATIONS

Revenue and Gross Profit

(in \$000's)

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Revenue	16,064	18,866	(2,802)	(14.9%)
Cost of sales	9,395	10,863	(1,468)	(13.5%)
Gross profit	6,669	8,003	(1,334)	(16.7%)
Gross margin	41.5%	42.4%		

a) Factors affecting Revenue and Gross Profit

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

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

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

b) First Quarter of 2026 compared to First Quarter of 2025

The Company's revenue was \$16.1 million in the first quarter of 2026 compared to \$18.9 million in the first quarter of 2025, a decrease of \$2.8 million or 14.9%. The decrease was primarily due to lower sales volume in the first quarter of 2026 from the Satcom business line, and to a lesser extent, the Wireless Infrastructure business line, in each case due to softer market conditions compared to the prior year period.

The Company's gross profit was \$6.7 million in the first quarter of 2026, a decrease of \$1.3 million compared to \$8.0 million in the first quarter of 2025. Gross margin was 41.5% in the first quarter of 2026 compared to 42.4% in the first quarter of 2025. The decrease of gross margin caused by lower revenue was offset by a more favourable product mix in Custom Antenna Solutions business line and improved gross margin in Satcom business line.

Selling and Marketing Expenses

(in \$000's)

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Payroll	1,023	1,041	(18)	(1.7%)
Other	584	774	(190)	(24.5%)
Total	1,607	1,815	(208)	(11.5%)
As a percentage of revenue	10.0%	9.6%		

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 the Company enters new markets and acquires new customers, requiring meaningful investments to win new business.

b) First Quarter of 2026 compared to First Quarter of 2025

The Company's selling and marketing expenses in the first quarter of 2026 were \$1.6 million (10.0% of revenue) compared to \$1.8 million (9.6% of revenue) in the first quarter of 2025. The decrease was primarily due to lower commissions and bonus accrual in the first quarter of 2026 as a result of lower revenue compared to the prior year period.

Research and Development Expenses

(in \$000's)

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Research and development costs	2,865	3,041	(176)	(5.8%)
Depreciation	84	90	(6)	(6.7%)
Total	2,949	3,131	(182)	(5.8%)
As a percentage of revenue	18.4%	16.6%		

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 the 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 their need for that particular design. Even if the customers' system designers ultimately select our products, a substantial period of time may elapse before the Company generates revenue relative to the possibly significant expenses it has initially incurred.

b) First Quarter of 2026 compared to First Quarter of 2025

The Company's R&D expenses in the first quarter of 2026 were \$2.9 million (18.4% of revenue) compared to \$3.1 million (16.6% of revenue) in the first quarter of 2025. The decrease was mainly due to lower payroll expenses in the first quarter of 2026 as a result of reduced headcount in engineering employees in Satcom business line compared to the prior year period.

General and Administrative Expenses

(in \$000's)

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Payroll	1,505	1,563	(58)	(3.7%)
Other	1,907	2,398	(491)	(20.5%)
Depreciation	177	229	(52)	(22.7%)
Total	3,589	4,190	(601)	(14.3%)
As a percentage of revenue	22.3%	22.2%		

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 depreciation of G&A non-current assets.

b) First Quarter of 2026 compared to First Quarter of 2025

The Company's G&A expenses in the first quarter of 2026 were \$3.6 million (22.3% of revenue) compared to \$4.2 million (22.2% of revenue) in the first quarter of 2025. The decrease was mainly due to a reduction in the accrual of share-based compensation expenses in the first quarter of 2026 in response to the Company's softer financial performance compared to the prior year period.

Operating Loss and Net Loss

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

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Operating loss	(1,476)	(1,133)	(343)	30.3%
Finance expense, net	1,179	1,194	(15)	(1.3%)
Investment (income) expense, net	(158)	53	(211)	N/A
Fair value adjustments	(51)	(296)	245	(82.8%)
Loss before income taxes	(2,446)	(2,084)	(362)	17.4%
Tax recovery	(127)	(42)	(85)	> 100.0%
Net loss	(2,319)	(2,042)	(277)	13.6%
Basic and diluted net loss per share	(\$0.02)	(\$0.01)	(\$0.01)	100.0%

a) Factors affecting Operating Loss and Net Loss

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

b) First Quarter of 2026 compared to First Quarter of 2025

The Company's operating loss in the first quarter of 2026 was \$1.5 million compared to \$1.1 million in the first quarter of 2025. The change in operating loss in the first quarter of 2026 was primarily due to the decrease in gross profit as discussed above, offset in part by the decrease in operating expenses compared to the prior year period.

The Company's net loss in the first quarter of 2026 was \$2.3 million compared to \$2.0 million in the first quarter of 2025. The net loss in the first quarter of 2026 was mainly due to the operating loss of \$1.5 million along with interest and other finance expenses. On a per share basis, the first quarter of 2026 produced a net loss of \$0.02 per share compared to a net loss of \$0.01 per share in the first quarter of 2025.

EBITDA and Adjusted EBITDA

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

Reconciliation from Net Loss to EBITDA and Adjusted EBITDA

(in \$000's)

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Net loss	(2,319)	(2,042)	(277)	13.6%
Plus:				
Tax recovery	(127)	(42)	(85)	> 100.0%
Interest and other finance expense	970	951	19	2.0%
Depreciation	964	608	356	58.6%
EBITDA	(512)	(525)	13	(2.5%)
Adjustments to EBITDA	574	1,205	(631)	(52.4%)
Adjusted EBITDA	62	680	(618)	(90.9%)

a) Factors affecting EBITDA and Adjusted EBITDA

The Company's EBITDA is impacted by the factors discussed above for operating 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 related to reorganization of a business line, legal costs arising from significant non-operating activities, severance and executive recruitment costs, and share-based compensation.

b) First Quarter of 2026 compared to First Quarter of 2025

The Company's EBITDA in the first quarter of 2026 was -\$0.5 million which was comparable to the first quarter of 2025, and the Adjusted EBITDA in the first quarter of 2026 was \$0.1 million compared to \$0.7 million in the first quarter of 2025. The adjustments to EBITDA amounting to \$0.6 million in the first quarter of 2026 and \$1.2 million in the first quarter of 2025 are detailed in the table below.

Adjustments to EBITDA

(in \$000's)

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Expenses from mergers and acquisitions (1)	45	-	45	N/A
Legal expenses relating to non-operating activities (2)	12	47	(35)	(74.5%)
Severance and recruiting expenses (3)	235	158	77	48.7%
Expenses relating to sale of a business line (4)	-	13	(13)	(100.0%)
Share-based compensation (5)	282	987	(705)	(71.4%)
Total	574	1,205	(631)	(52.4%)

The Company's Adjusted EBITDA for the above periods was impacted by the following factors:

- (1) Represents third-party expenses associated with the Company's acquisition of Kaelus.

- (2) Represents legal costs incurred from significant non-operating activities, principally those related to litigation arising out of the Company's acquisition of Advantech Wireless 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 costs relating to the reorganization and sale of the M&N business line, including professional advisory fees such as investment banking and legal fees.
- (5) Represents share-based compensation expenses relating to grant of awards under the Company's Omnibus Equity Incentive Plan.

SUMMARY OF QUARTERLY RESULTS

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

	2026		2025		2024			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Profit and Loss**								
Revenue	16,064	18,231	16,754	22,456	18,866	20,792	20,709	22,035
Gross profit	6,669	8,412	7,274	10,405	8,003	7,888	9,542	9,238
Gross margin	41.5%	46.1%	43.4%	46.3%	42.4%	37.9%	46.1%	41.9%
Net income (loss) from continuing operations	(2,319)	(2,532)	(1,100)	1,000	(2,042)	(4,942)	(1,414)	(132)
Net income (loss) from discontinued operations	-	-	-	-	-	3,706	(857)	(1,457)
Net income (loss)	(2,319)	(2,532)	(1,100)	1,000	(2,042)	(1,236)	(2,271)	(1,589)
Basic and diluted net income (loss) per share from continuing operations	(\$0.02)	(\$0.02)	(\$0.01)	\$0.01	(\$0.01)	(\$0.03)	(\$0.01)	(\$0.00)
Basic and diluted net income (loss) per share from discontinued operations	-	-	-	-	-	\$0.03	(\$0.01)	(\$0.01)
Basic and diluted net income (loss) per share	(\$0.02)	(\$0.02)	(\$0.01)	\$0.01	(\$0.01)	(\$0.00)	(\$0.02)	(\$0.01)
EBITDA* from continuing operations	(512)	(875)	249	2,336	(525)	(3,769)	1,109	1,514
EBITDA* from discontinued operations	-	-	-	-	-	(426)	(659)	(580)
EBITDA*	(512)	(875)	249	2,336	(525)	(4,195)	450	934
Adjusted EBITDA* from continuing operations	62	1,403	586	3,429	680	1,816	857	2,273
Adjusted EBITDA* from discontinued operations	-	-	-	-	-	(426)	(659)	(580)
Adjusted EBITDA*	62	1,403	586	3,429	680	1,390	198	1,693
Balance Sheet and Other**								
Current assets - Continuing operations	40,588	39,413	33,399	33,356	35,072	37,292	36,478	37,044
Current assets - Assets held for sale	-	-	-	-	-	-	7,069	8,581
Total current assets	40,588	39,413	33,399	33,356	35,072	37,292	43,547	45,625
Total assets	46,569	45,377	44,243	44,824	47,372	49,166	58,454	60,993
Current liabilities - Continuing operations	53,004	50,582	38,433	39,628	44,068	44,375	41,769	41,296
Current liabilities - Liabilities related to assets held for sale	-	-	-	-	-	-	8,999	10,547
Total current liabilities	53,004	50,582	38,433	39,628	44,068	44,375	50,768	51,843
Total liabilities	59,920	57,026	54,098	53,456	57,825	57,689	63,796	64,728
Net debt*	12,064	12,395	11,364	12,924	12,096	14,271	15,034	16,641
Backlog*	22,914	20,404	22,645	22,900	32,502	30,195	30,227	32,603

* 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).

** As at December 31, 2024, the Company has completed the sale of its Mobile and Network ("M&N") business line. As a result, for accounting purposes, the financial information of the M&N business line was reported as "held for sale" or "discontinued operations" in the respective quarters of 2024. Unless otherwise noted, the rest of financial information in the above table reflect the continuing operations of the Company and exclude the M&N business line.

The Company has managed to achieve positive Adjusted EBITDA for each quarter consecutively since 2024, and the Company's net debt has been consistently maintained at a lower level compared to 2024.

CASH FLOWS

(in \$000's)

	Three Months Ended March 31,			
	2026	2025	Change	Change
	\$	\$	\$	%
Cash flows (used in) generated from:				
Operating activities	556	2,679	(2,123)	(79.2%)
Investing activities	(32)	(1)	(31)	> 100.0%
Financing activities	456	(1,737)	2,193	N/A
Net cash inflows	980	941	39	4.1%
Effect of foreign exchange differences	70	17	53	> 100.0%
Increase in cash and cash equivalents	1,050	958	92	9.6%
Cash and cash equivalents at the beginning of the period	2,707	5,006	(2,299)	(45.9%)
Cash and cash equivalents at the end of the period	3,757	5,964	(2,207)	(37.0%)

Operating Activities

Cash generated from operating activities was \$0.6 million in the first quarter of 2026 compared to \$2.7 million in the first quarter of 2025. The higher cash inflows from operating activities in the first quarter of 2025 was primarily driven by more significant favorable movements in trade receivables, reflecting stronger collections during that period. In the first quarter of 2026, while the Company continued to generate positive working capital inflows, the magnitude was lower, mainly due to moderate changes in trade receivables during this period combined with softer operating performance relative to the prior year period.

Investing Activities

In both the first quarter of 2026 and the first quarter of 2025, only minimal cash was used in investing activities, which was primarily due to the Company's cash conservation measures to preserve liquidity, resulting in the capital expenditures at a consistently low level.

Financing Activities

Cash generated from financing activities was \$0.5 million in the first quarter of 2026 compared to \$1.7 million used in the first quarter of 2025. During the first quarter of 2025, the Company utilized its cash generated from operations to reduce the outstanding balance of the revolving credit facility, which helped to lower its interest expenses. During the first quarter of 2026, the Company increased its utilization of the revolving credit facility to support working capital and other operational requirements. Cash movements in both quarters reflect the Company's active management of capital structure and liquidity position in response to its evolving business needs.

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	As at	Change	Change
	March 31, 2026	December 31, 2025		
	\$	\$	\$	%
Total Debt	15,821	15,102	719	4.8%
Less: Cash and cash equivalents	3,757	2,707	1,050	38.8%
Net Debt	12,064	12,395	(331)	(2.7%)

The Company had net debt at March 31, 2026 and December 31, 2025 of \$12.1 million and \$12.4 million, respectively. The decrease in net debt was primarily due to favourable cash inflows from working capital movements, partially offset by lease payments and debt interest payments during the three months ended March 31, 2026.

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 cash conversion cycle ("CCC", see "Non-IFRS Measures" on page 3 of this MD&A) are reviewed with each business line management team on a monthly basis. 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.

Liquidity is impacted by the availability and maturity of the Company's revolving credit facility (see "Credit from banks and loans" on page 14 of this MD&A).

Working capital requirements

Working capital requirements are primarily for raw materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements could see an increase due to increased sales volumes, increased inventory levels to meet additional demand, customer payment delays, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at March 31, 2026, the Company's CCC was 53 days compared to 58 days as at December 31, 2025. The decrease mainly resulted from longer days payables outstanding in the Satcom business line during the first quarter of 2026.

During the three months ended March 31, 2026, the Company's working capital decreased by \$1.2 million, primarily as a result of the following factors:

- a) Increase in trade payables and other current liabilities of \$1.1 million, due in part to longer days payables outstanding in the Satcom business line during the first quarter of 2026;
- b) Decrease in trade receivables of \$1.0 million, primarily due to the revenue decrease in the Satcom business line in the first quarter of 2026 compared to the fourth quarter of 2025;

partially offset by:

- c) Increase in inventories of \$0.5 million, mainly driven by increased production volumes in the latter part of the first quarter of 2026 in response to higher sales demand in the Custom Antenna Solutions and Wireless Infrastructure business lines in the second quarter of 2026.

Commitment for capital expenditures

As at March 31, 2026, the Company had an aggregate commitment for capital expenditures of less than \$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 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 March 31, 2026, the interest rate applied to the Revolving Facility was 9.75% per annum on US dollar advances and 6.95% per annum on Canadian dollar advances (both rates include the applicable margin of 2.50%).

The Company may draw on its available revolving credit facilities under the Revolving Facility as well as revolving credit facilities with a bank domiciled in China, as needed. As at March 31, 2026, the Company's aggregate credit facilities were \$21.1 million, of which \$15.9 million was drawn and utilized, including \$10.9 million under the Revolving Facility.

The Credit Agreement has recently been amended as of April 28, 2026. The effect of this and previous amendments is that:

- the maturity date of the Revolving Facility has been extended to May 31, 2026;
- the Company is required to maintain a Senior Debt to EBITDA Ratio of not greater than 2.75:1.00 and a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of greater than 1.15:1.00 to be calculated monthly until maturity of the Revolving Facility;
- the Company is required to maintain a minimum Liquidity of \$2 million commencing May 1, 2026 and at all times thereafter;
- the minimum EBITDA covenant will not apply during the remaining period of the Revolving Facility;
- 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%.

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 March 31, 2026 and March 31, 2025:

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2026	5,931,648	\$0.48
DSUs granted during 2026 up to March 31, 2026	178,241	\$0.27
DSUs outstanding as at March 31, 2026	6,109,889	\$0.47
	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2025	5,022,979	\$0.51
DSUs granted during 2025 up to March 31, 2025	269,232	\$0.26
DSUs outstanding as at March 31, 2025	5,292,211	\$0.50

The Company recognized a DSU expense of less than \$0.1 million during the three months ended March 31, 2026, which was included in G&A expenses.

Stock Option Grants

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

The table below summarizes stock option grants as at March 31, 2026:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at		Options exercised, surrendered, expired or cancelled as at March 31, 2026	Options net outstanding as at March 31, 2026
				March 31, 2026	December 31, 2025		
May 21, 2019	270,000	\$3.57	May 21, 2024	250,000	250,000	270,000	-
Mar. 21, 2022	2,285,000	\$0.79	Mar. 21, 2027	761,667	761,667	2,135,000	150,000
May 23, 2022	150,000	\$0.59	May 23, 2027	54,182	54,182	95,818	54,182
Sep. 26, 2022	5,000	\$0.33	Sep. 26, 2027	5,000	5,000	-	5,000
Nov. 21, 2022	14,000	\$0.21	Nov. 21, 2027	10,000	10,000	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	2,981,000	475,000	2,981,000
Mar. 31, 2024	4,950,000	\$0.25	Mar. 31, 2029	3,300,000	1,650,000	166,666	4,783,334
May 20, 2024	52,000	\$0.25	May 20, 2029	26,000	26,000	-	52,000
Dec 30, 2025	800,000	\$0.25	Dec 30, 2030	-	-	-	800,000
	<u>11,985,000</u>			<u>7,389,849</u>	<u>5,739,849</u>	<u>3,146,484</u>	<u>8,838,516</u>

The Company recognized a stock option expense of \$0.1 million during the three months ended March 31, 2026, 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 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 market and non-market performance goals over a specified period. The PSUs subject to non-market performance conditions were measured at their grant date fair value, based on the closing share price on June 30, 2025. Non-market performance conditions are not reflected in the grant date fair value; instead, compensation expense is recognized over the vesting period based on the number of units expected to vest, with estimates revised at each reporting date. 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, subject to a minimum grant of 500,000. 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 (of which 8,222 have been cancelled) and 2,500,000 PSUs (with an issue value of \$135,000 of which \$90,000 vested during the twelve months ended December 31, 2025) were granted under the Performance Plan. Of the outstanding RSUs, 989,727 will vest on May 15, 2026, one year from the date of grant, and 2,262,509 will vest on September 30, 2026. The common shares were not subject to a vesting condition.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table summarizes our significant contractual obligations and other obligations as well as our off-balance sheet arrangements as at March 31, 2026:

(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)	15,346	-	-	-	15,346
Long-term loans (2)	-	475	-	-	475
Inventory purchase commitments (3)	4,911	-	-	-	4,911
Lease payment obligations (4)	1,012	2,317	-	-	3,329
Convertible debentures principal	5,115	-	-	-	5,115
Convertible debentures interest	217	-	-	-	217
Series A preferred shares	-	1,700	-	-	1,700
Series A preferred shares dividend	510	340	-	-	850
Series B preferred shares	-	-	2,250	-	2,250
Series B preferred shares dividend	225	675	225	-	1,125
Total Contractual Obligations	27,336	5,507	2,475	-	35,318

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 months ended March 31, 2026.
- (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 months ended March 31, 2026.
- (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.

TRANSACTIONS WITH RELATED PARTIES

Executive officer remuneration

Short-term benefits, pension and post-retirement benefits of the Company's executive officers amounted to \$1.3 million for the three months ended March 31, 2026, which remained largely consistent with the three months ended March 31, 2025. 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 2026 and 2025.

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

There were no changes to our critical accounting estimates in financial reporting during the three months ended March 31, 2026.

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 14 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. The Company also has fair values risks related to exposure to changes in market interest rates on its Convertible Debentures.

With respect to foreign exchange risk, the Company utilized foreign exchange forward contracts in fiscal 2025 and 2024 to hedge net US dollar cash flows as a means to mitigate its foreign exchange risk. As at March 31, 2026, the Company did not have any remaining forward contracts in place.

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

Except as set forth in this MD&A and the notes to our unaudited interim condensed consolidated financial statements, there were no additional risks identified during the three months ended March 31, 2026, and there were no changes to our use of financial instruments during the three months ended March 31, 2026.

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were issued and outstanding 152,693,578 common shares and under the Omnibus Plan:

- 8,838,516 stock options;
- 1,856,410 RSUs; and,
- 6,109,889 DSUs.

Up to 16,804,815 common shares are issuable on exercise or settlement, as applicable, of the stock options, RSUs and DSUs, all of which were granted under the Omnibus Plan.

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 18,323,228 common shares. As at the date of this MD&A, 1,518,413 common shares are available to be issued under the Omnibus Plan.

In addition, there are 3,252,236 RSUs outstanding under the 2024 Bonus 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 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 and 90,000 10% Cumulative Redeemable Retractable Series B Preferred Shares, all of which are held by the Company’s controlling shareholder, 2385796 Ontario Inc.

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 March 31, 2026 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 25, 2026, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

KAEIUS - PROPOSED ACQUISITION

On December 1, 2025 the Company announced that it had entered into a definitive agreement to acquire 100% of the shares of Kaelus AB. The announcement contained forward looking financial information which has been updated as follows:

(in \$000's)

	Combined 2026 (Pro Forma*)		
	Dec 1, 2025 Announcement	Mar 25, 2026 Update	May 13, 2026 Update
	\$	\$	\$
Revenue	141,197	132,562	131,801
Gross profit	60,392	61,374	60,845
Gross margin	42.8%	46.3%	46.2%
Adjusted EBITDA	15,908	15,146	14,893

* Pro Forma refers to the assumption that the acquisition of Kaelus AB was completed on January 1, 2026 on the terms publicly described at the time of the announcement of the proposed acquisition.

Revenue on a pro forma basis for 2026 is expected to show a decline, mainly reflecting the anticipated impact of weakening backlog and order intake in the Satcom business line. Gross margin is expected to improve mainly due to a reclassification of amortized development costs from cost of sales to operating expenses, coupled with further gross margin improvements. Adjusted EBITDA is anticipated to decline primarily due to the revenue decrease in the Satcom business line.

Reconciliations of the Company's non-IFRS measures to their most comparable IFRS measures:

(in \$000's)

	Combined 2026 (Pro Forma*)		
	Dec 1, 2025 Announcement	Mar 25, 2026 Update	May 13, 2026 Update
	\$	\$	\$
Operating income	5,749	5,838	5,242
Depreciation and Amortization	6,543	6,857	7,623
EBITDA	12,292	12,695	12,866
Expenses from mergers and acquisitions	-	-	340
Share-based compensation	2,476	1,319	1,200
Legal expenses relating to non-operating activities	540	500	12
Severance and recruiting expenses	600	633	475
Adjustments to EBITDA	3,616	2,451	2,027
Adjusted EBITDA	15,908	15,146	14,893

* Pro Forma refers to the assumption that the acquisition of Kaelus AB was completed on January 1, 2026 on the terms publicly described at the time of the announcement of the proposed acquisition.

EBITDA on a pro forma basis for 2026 is expected to be stronger, primarily due to a decrease in litigation expenses. Share-based compensation is anticipated to be reduced in response to the financial forecast for 2026.

The financial outlook is based on a number of material factors and assumptions that reflect management's assessment as of the date hereof, including assumptions that:

- Kaelus's historical and forecast financial and operating information are accurate in all material respects;
- the Company will be able to integrate Kaelus without material disruption to the combined businesses;
- overall revenue growth is based on currently expected industry demand trends and customer order patterns within each business line;
- there will be no material change in macroeconomic, political or inflationary conditions generally, or in legal or regulatory markets in which the Company and Kaelus operate, that will materially impact the financial performance of the combined business;

- the respective businesses of the Company and Kaelus will not be affected materially by supply chain or other disruptions;
- there will be no material change in current foreign exchange rates, interest rates or accounting standards; and,
- Kaelus will be entitled under IFRS 38 to capitalize its development costs.

The financial outlook does not reflect potential operating synergies, cost savings or additional revenue from cross-selling opportunities and assumes capital expenditure levels and working capital investment consistent with management budgets for 2026.

The financial outlook is subject to significant risks and uncertainties that could cause actual results to differ materially, including the risk that our and Kaelus's businesses may not perform as expected following the acquisition, that synergies and cross-selling opportunities may not materialize and the risks described under "*Forward-Looking Information and Statements*" in this MD&A and in the Company's continuous disclosure documents available under its profile on SEDAR+. Readers are cautioned not to place undue reliance on the financial outlook. The financial outlook speaks only as at the date of this MD&A. Unless required by applicable law, the Company does not intend, and does not assume any obligation, to update the financial outlook.