

MATERIAL CHANGE REPORT

National Instrument 51-102 – Continuous Disclosure Obligations

Item 1 - Name and Address of Company

Baylin Technologies Inc.
Suite 503, 4711 Yonge Street
Toronto, Ontario
M2N 6K8

Item 2 - Date of Material Change

October 21, 2021

Item 3 - News Release

A news release disclosing the material change was disseminated on October 21, 2021 through Cision, a division of CNW. A copy of the form of news release is attached as Schedule A.

Item 4 - Summary of Material Change

On October 21, 2021, Baylin Technologies Inc. (the “**Company**”) completed the second and final tranche of a private placement (the “**Offering**”), issuing 5,883,000 common shares (the “**Common Shares**”) of the Company at a price of \$0.85 per Common Share, for proceeds of \$5,000,550.

Item 5 - Full Description of Material Change

On August 11, 2021, the Company announced that it had entered into an engagement letter dated August 11, 2021 with Paradigm Capital Inc., as lead agent, on behalf of a syndicate of agents (collectively, the “**Agents**”), in connection with the Offering of 11,112,000 Common Shares at a price of \$0.90 per Common Share for proceeds of approximately \$10 million. The net proceeds from the Offering were to be used for general working capital purposes and for the repayment of outstanding debt.

As part of the Offering, the Company entered into a separate agreement (the “**Insider Agreement**”) with 2385796 Ontario Inc. (the “**Insider**”), the Company's largest shareholder, under which the Insider agreed to support the Offering by agreeing to purchase Common Shares with a purchase price equal to the lesser of (i) \$10 million and (ii) the difference between \$10 million and the aggregate purchase price paid by all other investors (if any) in the Offering (the “**Financing Commitment**”), subject to receipt of applicable regulatory approvals and satisfaction of other customary closing conditions, including listing of the Common Shares on the Toronto Stock Exchange (the “**TSX**”). Jeffrey C. Royer, Chairman of the Board of Directors of the Company, exercises control and direction over investment decisions of the Insider.

The Insider's purchase of Common Shares (and the purchase of Common Shares by any other insider of the Company) would constitute a related party transaction under Multilateral Instrument

61-101 – *Protection of Security Holders in Special Transactions* ("MI 61-101"). However, the Insider's purchase is exempt from the formal valuation and minority approval requirements of MI 61-101 as neither the fair market value of the subject matter of the transaction, nor the consideration paid, would exceed 25% of the Company's market capitalization (as determined in accordance with MI 61-101).

The Financing Commitment would also trigger the requirement for disinterested shareholder approval under section 607(g)(ii) of the TSX Company Manual, unless an exemption were available to the Company. The Company relied on the "financial hardship" exemption available to it under the rules of the TSX to permit the Insider to purchase more than 10% of the 62,447,014 Common Shares of the Company then outstanding without the Company having to obtain disinterested shareholder approval.

On August 20, 2021, the Company announced it was repricing the Offering from \$0.90 to \$0.85 per Common Share to better reflect the then market price of the Common Shares. The proceeds from the Offering remained at \$10 million, with the result that minimum number of Common Shares increased to 11,765,000, and the Company and the Agents agreed that the Offering may be increased up to a maximum of 17,648,000 Common Shares (or up to approximately \$15 million). The Company and the Agents agreed that the Offering could close in one or more tranches.

On September 1, 2021, the Company completed the first tranche (the "**First Tranche**") of the Offering, issuing 11,765,000 Common Shares to the Insider pursuant to the Financing Commitment at a price of \$0.85 per Common Share for proceeds of \$10,000,250. As a result of the Company's reliance on the "financial hardship" exemption, the TSX, in accordance with its standard practices, is reviewing the eligibility of the Company for continued listing of its securities on the TSX and has placed the Company under remedial delisting review. The Company has until early December 2021 to satisfy the requirements for continued listing, which it is confident it will be able to meet. The Common Shares comprising the first tranche of the Offering are being listed on the TSX.

On October 12, 2021, the Company announced it was proceeding with the second and final tranche (the "**Final Tranche**") of the Offering by offering up to an additional 5,883,000 Common Shares for sale at \$0.85 per Common Share for proceeds of up to \$5,000,550. It also announced it had received a binding a binding commitment from the Insider (together with the Insider Agreement, the "**Insider Agreements**") pursuant to which the Insider had agreed to participate in the Final Tranche on the same terms for an aggregate purchase price equal to the difference between (i) \$5,000,550 and (ii) the aggregate purchase price paid by all other investors (if any) in the Final Tranche (the "**Second Financing Commitment**"), subject to receipt of applicable regulatory approvals and other customary closing conditions, including listing of the Common Shares on the TSX.

On October 21, 2021, the Company completed the Final Tranche, issuing 5,883,000 Common Shares at a price of \$0.85 for proceeds of \$5,000,550, of which the Insider purchased 5,460,192 Common Shares pursuant to the Second Financing Commitment.

(a) description of the transaction and its material terms

See above

(b) the purpose and business reasons for the transaction

The principal purpose of the Offering is to ensure the Company has sufficient liquidity to fund its ongoing operations. As outlined above, the net proceeds from the Offering will be used for general working capital purposes and for the repayment of outstanding debt.

(c) the anticipated effect of the transaction on the issuer's business and affairs

Concurrently with the announcement of the Offering, the Company announced that it had agreed with its principal lenders, Royal Bank of Canada and HSBC Bank Canada (the “**Lenders**”) to further amendments to the Company's Credit Agreement dated March 29, 2019 (as previously amended, the “**Credit Agreement**”). Those amendments included (i) a waiver by the Lenders of compliance with the Fixed Charge Coverage Ratio (as defined in the Credit Agreement) as at June 30, 2021, (ii) changes to the manner in which the Fixed Charge Coverage Ratio is calculated for the quarters ending September 30 and December 31, 2021, so that the 12- month calculation period commences July 1, 2021, on a cumulative basis, (iii) removal of the minimum EBITDA (as defined in the Credit Agreement) covenant and (iv) an increase in the minimum Liquidity (as defined in the Credit Agreement) covenant from \$7 million to \$10 million. The Lenders also agreed to waive the obligation to apply the net proceeds from the First Tranche to repay debt provided that the proceeds were deposited in an account with one of the Lenders not later than September 1, 2021. That condition was satisfied by the Company.

In connection with the Final Tranche, the Lenders separately agreed to waive the obligation to apply the net proceeds from the Final Tranche to repay debt provided that the proceeds were deposited in an account with one of the Lenders not later than November 1, 2021. That condition has been satisfied by the Company.

The Offering is expected to have a positive impact on the Company's ability to continue to operate its business and in its ongoing relationship with its Lenders.

(d) a description of (i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties and (ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person referred to in clause (i) for which there would be a material change in that percentage

As part of the Offering, the Company entered into the Insider Agreements with the Company's largest shareholder, pursuant to which the Insider agreed to the Financing Commitment and Second Financing Commitment, subject to receipt of applicable regulatory approvals and satisfaction of other customary closing conditions, including listing of the Common Shares on the TSX.

Prior to the closing of the Final Tranche, the Insider held 38,418,122 Common Shares, representing approximately 51.8% of the 74,212,014 Common Shares then outstanding (on an undiluted basis) and an associate (as such term is defined in the *Securities Act* (Ontario)) of Jeffrey C. Royer,

Chairman of the Board of Directors of the Company, held 2,748,450 Common Shares. Mr. Royer exercises exclusive control over the Common Shares held by the associate and, by virtue of an agreement with the associate, over the Common Shares held by the Insider. Together, the Insider and the associate (the “**Insider Group**”) held 41,166,572 Common Shares prior to the closing of the Final Tranche, representing approximately 55.5% of the Common Shares then outstanding (on an undiluted basis).

As a result of the closing of the Final Tranche, Insider, the Insider Group now holds 46,626,764 Common Shares, representing approximately 58.2% of the issued and outstanding Common Shares (on an undiluted basis).

(e) discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee

The Company applied to the TSX under section 604(e) of the Company Manual for an exemption from the requirement for disinterested shareholder approval of the Insider’s commitment (the “**Commitment**”) to purchase Common Shares in the private placement on the basis that the Company is in serious financial difficulty (the “**Application**”). The independent and disinterested members of the Board of Directors of the Company (being all the directors other than Jeffrey C. Royer, each of whom is free from any interest in the Commitment and unrelated to Mr. Royer and the Insider Group), considered the reasonableness and fairness of the Commitment and unanimously recommended approval of the Commitment and the Application. The Board of Directors then approved the Commitment (with Mr. Royer declaring his interest and abstaining from voting), and there were no contrary views or abstentions. In addition, the full Board of Directors determined that the Company met the applicable TSX and MI 61-101 financial hardship requirements and that the Commitment is reasonable in the circumstances and designed to improve the Company’s financial position. The Board of Directors did not establish a special committee to review the Commitment.

(f) a summary of the formal valuation, if any, obtained for the transaction

Not applicable.

(g) disclosure of every prior valuation in respect of the issuer that relates to the subject matter of is otherwise relevant to the transaction (i) that has been made in the 24 months before the date of the material change report, and (ii) the existence of which is known, after reasonable enquiry, to the issuer or to any director or senior officer of the issuer

Not applicable.

(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction

See paragraph (d).

(i) disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying on, and the facts supporting reliance on the exemptions

In connection with the Final Tranche, the Company is relying on exemptions from the formal valuation and minority shareholder approval requirements in sections 5.5(g) and 5.7(1)(e) of MI 61-101, on the basis of financial hardship exemption, which provides an exemption where the financial hardship criteria set out in Subsection 5.5(g) of MI 61-101 are met and where there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities.

The Company did not file a material change report related to the Final Tranche more than 21 days before the closing of the Final Tranche, as required by MI 61-101, because the timing of the announcement of the Final Tranche and the closing of the Final Tranche were less than 21 days apart.

Item 6 - Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 - Omitted Information

Not applicable.

Item 8 - Executive Officer

Philip Mohtadi, Corporate Secretary - 647 291 7525

Item 9 - Date of Report

October 21, 2021

Schedule A

**NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES
OR FOR DISSEMINATION IN THE UNITED STATES OF AMERICA**



Baylin Completes Second Tranche of \$15 Million Private Placement

Toronto, Canada, October 21, 2021. /CNW/ Baylin Technologies Inc. (TSX: BYL) (the “**Company**”) announces that it has completed the second and final tranche (the “**Final Tranche**”) of its previously announced private placement (the “**Offering**”) of a minimum of 11,765,000 common shares of the Company (“**Common Shares**”) and a maximum of 17,648,000 Common Shares at a price of \$0.85 per Common Share. The Company completed the first tranche of the Offering (the “**First Tranche**”) on September 1, 2021, issuing 11,765,000 Common Shares for gross proceeds of \$10,000,250. The Final Tranche comprised the remaining 5,883,000 Common Shares, resulting in gross proceeds to the Company of an additional \$5,000,550.

Pursuant to an agreement dated October 12, 2021 with 2385796 Ontario Inc. (the “**Insider**”), the Company’s largest shareholder, in which the Insider agreed to purchase Common Shares in an amount equal to the difference between (i) \$5,000,550 and (ii) the aggregate purchase price paid by all other investors (if any) in the Final Tranche, the Insider purchased 5,460,192 Common Shares. The remaining 422,808 Common Shares were purchased by other insiders of the Company. The Common Shares sold in the Final Tranche are subject to a hold period until February 22, 2022. The Insider purchased all 11,765,000 Common Shares in the First Tranche.

The net proceeds from the Offering will be used for general working capital purposes and for the repayment of outstanding debt.

Paradigm Capital Inc., as lead agent and bookrunner, and Raymond James Ltd. received a cash commission of \$100,011 for their services in connection with the Final Tranche.

Financial Hardship

As previously disclosed in its press releases dated August 11 and 20, September 1 and October 12, 2021, and material change report dated September 1, 2021, the Company is relying on the “financial hardship” exemption available to it under the rules of the Toronto Stock Exchange to permit the Insider to purchase the Common Shares.

Insider Holdings

Immediately prior to the closing of the Final Tranche, the Insider held 38,418,122 Common Shares, representing approximately 51.8% of the 74,212,014 Common Shares then outstanding

(on an undiluted basis) and an associate (as defined in the *Securities Act (Ontario)*) of Jeffrey C. Royer, Chairman of the Board of Directors of the Company, held 2,748,450 Common Shares. Mr. Royer exercises exclusive control over the Common Shares held by the associate and, by virtue of an agreement with the associate, over the Common Shares held by the Insider. Immediately prior to closing of the Final Tranche, together, the Insider and the associate (the “**Insider Group**”), held 41,166,572 Common Shares, representing approximately 55.5% of the Common Shares then outstanding (on an undiluted basis).

As a result of the closing of the Final Tranche, the Insider holds 43,878,314 Common Shares, representing approximately 54.8% of the 80,095,014 Common Shares currently outstanding (on an undiluted basis), and the Insider Group holds 46,626,764 Common Shares, representing approximately 58.2% of the Common Shares currently outstanding (on an undiluted basis).

The Insider's purchase of Common Shares (and the purchase of Common Shares by the other insiders of the Company) constitute related party transactions under Multilateral Instrument 61-101 – Protection of Security Holders in Special Transactions (“**MI 61-101**”). However, such purchases are exempt from the formal valuation and minority approval requirements of MI 61-101 on the basis of the financial hardship exemption in MI 61-101, which provides an exemption where the financial hardship criteria set out in Subsection 5.5(g) of MI 61-101 are met and where there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities.

The Company did not file a material change report related to the Final Tranche more than 21 days before the closing of the Final Tranche, as required by MI 61-101, because the timing of the announcement of the Final Tranche and the closing of the Final Tranche were less than 21 days apart.

US Securities Laws Disclaimer

The Common Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any U.S. state securities laws, and may not be offered or sold in the United States without registration under the U.S. Securities Act and all applicable state securities laws or compliance with the requirements of an applicable exemption therefrom. This press release does not constitute an offer to sell or the solicitation of an offer to buy Common Shares in the United States, nor may there be any sale of these Common Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

About Baylin

The Company is a leading, diversified, global technology company. It focuses on research, design, development, manufacturing, and sales of passive and active radio-frequency products, terrestrial microwave products, and services. We strive to meet our customers' needs and anticipate the direction of the market.

Forward-looking Information Cautionary Statement

This press release contains forward-looking statements and forward-looking information, including statements related to the intended use of proceeds. The intended use of the net proceeds of the Offering might change if the board of directors of the Company determines that it would be in the best interests of the Company to deploy the proceeds for some other purpose. The forward-looking statements are founded on the basis of expectations and assumptions made by the Company.

For further information contact:

Investor Relations:
Kelly Myles, Marketing and Communications Manager
Baylin Technologies Inc.
kelly.myles@baylintech.com