BAYLIN TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2017

(Canadian dollars in thousands)

UNAUDITED

INDEX

Notice of Non-Reviewed Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements of the Company for the nine months ended September 30, 2017 have been prepared by Management and were authorized for issue in accordance with a resolution of the board of directors on November 1, 2017. The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements, in accordance with the standards established by the Chartered Professional Accounts of Canada for a review of interim financial statements by an entity's auditors.

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Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

Canadian dollars in thousands

	September 30, 2017	December 31, 2016 (note 3)	January 1, 2016 (note 3)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 6)	$ 13,219	$ 18,480	$ 15,814
Trade and other receivables	19,811	14,211	13,760
Other current assets	2,766	1,662	1,467
Inventories	9,130	8,678	8,189
	44,926	43,031	39,230
NON-CURRENT ASSETS			
Property, plant and equipment, net	19,213	21,873	29,039
Lease deposits	105	102	340
	19,318	21,975	29,379
TOTAL ASSETS	$ 64,244	$ 65,006	$ 68,609
LIABILITES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks (note 6)	$ 4,537	$ 3,483	$ 8,819
Accounts payable and accrued liabilities	20,906	18,580	16,309
Income tax payable	128	51	383
	25,571	22,114	25,511
NON-CURRENT LIABILITIES			
Employee benefit liabilities, net (note 7)	1,636	1,462	1,360
TOTAL LIABILITES	27,207	23,576	26,871
SHAREHOLDER’S EQUITY			
Share Capital	90,929	90,929	85,837
Accumulated other comprehensive income	10,737	11,515	14,630
Share-based payments reserve	1,425	1,087	636
Accumulated deficit	(66,108)	(62,208)	(59,472)
	36,983	41,323	41,631
Non-Controlling Interest	54	107	107
TOTAL EQUITY	37,037	41,430	41,738
TOTAL LIABILITIES AND TOTAL EQUITY	$ 64,244	$ 65,006	$ 68,609

November 1, 2017	*"Jeffrey C. Royer"*	*"Randy Dewey"*	*"Michael Wolfe"*
Date of approval of the financial statements	Jeffrey C. Royer Chairman of the Board of Directors	Randy Dewey President & Chief Executive Officer	Michael Wolfe Chief Financial Officer

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Income (Loss) and Other Comprehensive Loss (Unaudited)

Canadian dollars in thousands except per share figures

	Nine months ended September 30,		Three months ended September 30,	
	2017	**2016** (note 3)	**2017**	**2016** (note 3)
Revenues	$ 67,290	$ 64,138	$ 27,140	$ 22,457
Cost of sales	46,123	46,393	18,716	16,200
Gross profit	21,167	17,745	8,424	6,257
Operating expenses				
Selling and marketing expenses	3,965	3,076	1,362	1,046
Research and development expenses	8,568	7,659	2,391	2,755
General and administrative expenses	10,421	8,791	3,059	3,054
	22,954	19,526	6,812	6,855
Operating income (loss)	(1,787)	(1,781)	1,612	(598)
Finance expense (income), net	1,731	(840)	701	(474)
Income (loss) before income taxes	(3,518)	(941)	911	(124)
Income tax expense (benefit)	435	20	15	(354)
Net income (loss)	$ (3,953)	$ (961)	$ 896	$ 230
Net income (loss) attributable to shareholders	(3,900)	(961)	949	230
Net income (loss) attributable to non-controlling interest	(53)	-	(53)	-
Other comprehensive loss, net of tax:				
Foreign exchange translation adjustment	(778)	(2,012)	(1,459)	(950)
Total Comprehensive loss	$ (4,731)	$ (2,973)	$ (563)	$ (720)
Total Comprehensive loss attributable to shareholders	(4,678)	(2,973)	(510)	(720)
Total Comprehensive loss attributable to non-controlling interest	(53)	-	(53)	-
Basic and diluted income (loss) per share	**$ (0.18)**	**$ (0.05)**	**$ 0.04**	**$ 0.01**

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)

Canadian dollars in thousands except per share figures

	Share capital	Share-based payment reserve	Accumulated deficit	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance as of January 1, 2017 (note 3)	$ 90,929	$ 1,087	$ (62,208)	$ 11,515	$ 107	$ 41,430
Net loss	-	-	(3,900)	-	(53)	(3,953)
Other comprehensive loss	-	-	-	(778)	-	(778)
Share-based payment	-	338	-	-	-	338
Balance as of September 30, 2017	$ 90,929	$ 1,425	$ (66,108)	$ 10,737	$ 54	$ 37,037

	Share capital (note 3)	Share-based payment reserve (note 3)	Accumulated deficit (note 3)	Accumulated other comprehensive income (loss) (note 3)	Non-controlling interest (note 3)	Total equity (note 3)
Balance as of January 1, 2016	$ 85,837	$ 636	$ (59,472)	$ 14,630	$ 107	$ 41,738
Net Loss	-	-	(961)	-	-	(961)
Other comprehensive loss	-	-	-	(2,012)	-	(2,012)
Share-based payment	-	354	-	-	-	354
Refund on IPO share issuance expense	302	-	-	-	-	302
Balance as of September 30, 2016	$ 86,139	$ 990	$ (60,433)	$ 12,618	$ 107	$ 39,421

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

Canadian dollars in thousands except per share figures

	Nine months ended September 30, 2017 (note 3)	2016 (note 3)
Cash flows from operating activities		
Net loss	$ (3,953)	$ (961)
Adjustments to reconcile loss to net cash used in operating activities		
Share-based payment	338	354
Depreciation and amortization	3,114	3,169
Finance expense (income), net	1,731	(840)
(Gain) Loss from sale of property, plant and equipment	129	(143)
Income taxes	435	20
Changes in employee benefit liabilities, net	212	45
	5,959	2,605
Changes in asset and liability items		
Decrease (increase) in trade receivables	(6,552)	(2,578)
Decrease (increase) in other current assets	(1,219)	(1,436)
Decrease (increase) in inventories	(855)	(2,455)
Increase (decrease) in trade payables	2,824	5,900
Increase (decrease) in other accounts payable	(102)	(478)
	(5,904)	(1,047)
Cash paid and received during the year for		
Interest paid, net	(166)	(127)
Taxes paid, net	(368)	(102)
	(534)	(229)
Net cash provided by (used in) operating activities	(4,432)	368
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,649)	(938)
Proceeds from sale of property, plant and equipment	173	2,469
Net cash (used in) provided by investing activities	(1,476)	1,531
Cash flows from financing activities		
Repayment of finance lease liabilities	-	(221)
Receipt (Repayment) of short-term credit from banks and others, net	919	(3,894)
Harmonized sales tax refund on IPO related expenses	-	302
Net cash provided by (used in) financing activities	919	(3,813)
Exchange difference on balances of cash and cash equivalents	(272)	(1,476)
Decrease in cash and cash equivalents	(5,261)	(3,390)
Cash and cash equivalents at the beginning of the year	18,480	15,814
Cash and cash equivalents at the end of the period	$ 13,219	$ 12,424

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

NOTE 1: GENERAL

Corporate information

Baylin Technologies Inc. (the "Company" or "Baylin") was incorporated pursuant to the laws of the province of Ontario on September 24, 2013, for the purpose of completing the initial public offering of its shares. The Company's registered office is located in Toronto, Ontario, Canada.

The Company and its subsidiaries (the "Group") operate in the field of research, development, manufacture and sales of a wide range of affordable antennas and communications solutions for the mobile, networking (formerly known as broadband), small cell, DAS and base station markets, primarily in the North American and Asia Pacific regions.

Approval of financial statements

These interim condensed consolidated financial statements of the Company for the nine months ended September 30, 2017 have been prepared by Management and were authorized for issue in accordance with a resolution of the board of directors on November 1, 2017.

NOTE 2: BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended September 30, 2017, have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual audited consolidated financial statements as of December 31, 2016.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except for the following:

Effective January 1, 2017 the Company changed its presentation currency to Canadian dollars (CAD) from the United States dollar (USD). This change was considered advisable as: (i) the Company’s shareholders are primarily Canadian-based; and, (ii) the Company’s shares are listed on the Toronto Stock Exchange (“TSX”) with the share price quoted in CAD; reporting the financial statements in CAD enables analysis of the Company’s share price and market capitalization without having to convert amounts reported in the financial statements.

In accordance with the guidance in IAS 21, the effects of changes in foreign exchange rates and other IFRS, the Company has applied the presentation currency change retrospectively and translated all amounts for the December 31, 2016 consolidated statement of financial position into the new presentation currency using the exchange rate in effect at the date of the change. For the presentation currency change affecting the January 1, 2016 consolidated statement of financial position, as required by IFRS for change in accounting policy, all amounts were presented for comparative purposes in CAD using the exchange rate in accordance with IAS 21 guidance.

The following exchange rates were used to convert the previously filed USD financial statements into CAD: January 1, 2016 USD 1.00 = CAD 1.384; 2016 average rate USD 1.00 = CAD 1.3253; December 31, 2016 USD 1.00 = CAD 1.3427. All resulting exchange rate differences are included in the reserve in the statement of changes of equity.

The change in presentation currency resulted in the following impact on the January 1, 2016 opening consolidated statement of financial position:

	Reported at January 1, 2016 in USD (in thousands)		Impact of the presentation currency change (in thousands)		Restated at January 1, 2016, in CAD presentation currency (in thousands)	
Total Asset	$	49,574	$	19,035	$	68,609
Total Liabilities	$	19,416	$	7,455	$	26,871
Total Equity	$	30,158	$	11,580	$	41,738

The change in presentation currency resulted in the following impact on the December 31, 2016 consolidated statement of financial position:

	Reported at December 31, 2016 in USD (in thousands)		Impact of the presentation currency change (in thousands)		Restated at December 31, 2016, in CAD presentation currency (in thousands)	
Total Assets	$	48,415	$	16,591	$	65,006
Total Liabilities	$	17,559	$	6,017	$	23,576
Total Equity	$	30,856	$	10,574	$	41,430

The change in presentation currency resulted in the following impact on the nine months ended and three months ended September 30, 2016 basic and diluted loss per share:

	Reported in USD		Impact of the presentation currency change		Restated in CAD presentation currency	
Basic and diluted loss per share for the nine months ended September 30, 2016	$	(0.04)	$	(0.01)	$	(0.05)
Basic and diluted income per share for the three months ended September 30, 2016	$	0.01	$	0.00	$	0.01

The change in presentation currency did not result in a material impact on net income (loss) and cash flows for the nine months ended and three months ended September 30, 2016, and for the years ended December 31, 2016 and December 31, 2015.

NOTE 4: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There have been no significant changes to our critical accounting judgements, estimates and assumptions made since our annual financial reporting for the year ended December 31, 2016 except as disclosed in Note 11 regarding the closure of the engineering facility located in Tiberias, Israel.

NOTE 5: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

In Note 4 to the audited consolidated financial statements dated December 31, 2016, the following are new standards that have been issued but are not yet in effect and which are relevant to the Group:

(a) IFRS 15, "Revenue from contracts with customers"
(b) IFRS 9 – "Financial Instruments"
(c) Amendments to IAS 7, "Statement of Cash Flows"
(d) IFRS 16 – "Leases"

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

NOTE 6: CASH AND CASH EQUIVALENTS

The Company has a United States dollar revolving credit facility with Hong Kong Shanghai Bank Corporation ("HSBC", and the "HSBC Facility"). Any draws on the HSBC Facility are required to be fully collateralized by cash, which is deposited in a restricted account with HSBC ("Restricted Cash"), the only use of which is to repay any borrowings under the HSBC Facility. There was no borrowing under this facility as at September 30, 2017, and accordingly there is no Restricted Cash.

The Company's Chinese subsidiary has a $3,392 short-term credit facility with the Shanghai Pudong Development Bank ("SPD") secured by the Company's Chinese subsidiary building in Renminbi currency equivalent. As at September 30, 2017, the full balance was outstanding under this facility.

In January 2017, the Company's Vietnamese subsidiary entered into a $1,433 credit facility with a Vietnamese bank in United States Dollar equivalent. This facility is collateralized by certain equipment owned by the Company's Vietnamese subsidiary. As at September 30, 2017, there was $1,030 outstanding under this facility.

The Company's Korean subsidiary has a $436 short-term credit facility with the Shinhan Bank in South Korean Won currency equivalent. The credit facility is secured by an irrevocable letter of credit issued by Baylin to the lender in Korea. As at September 30, 2017, there was $115 outstanding under this facility.

Our ability to utilize our bank credit facilities is dependent on being able to provide collateral in accordance with the requirements of the banks providing credit facilities to our subsidiaries. Bank credit facilities are for working capital and are secured by our building in China and accounts receivable from our customers in China and Korea. The company is in compliance with all of its financial covenants.

Canadian dollars in thousands

NOTE 7: EMPLOYEE BENEFIT ASSETS AND LIABILITIES

The Group accounts for that part of the payment of compensation that is not covered by contributions in defined contribution plans, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in qualifying insurance policies.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets. The present value of the benefits is determined at year end, based on actuarial valuations.

NOTE 8: SHARE-BASED PAYMENTS

a. Pursuant to the Company's Deferred Share Unit Plan for directors of the Company (the "DSU Plan"), the Company grants deferred share units ("DSUs") to directors as part of its long-term incentive compensation plan.

   The following table lists the number of DSUs issued during the current period:

	Number of DSUs	Weighted average price in CAD
DSUs outstanding at January 1, 2017	224,827	$ 2.00
DSUs granted during the current period	55,687	$ 2.09
DSUs outstanding at September 30, 2017	280,514	$ 2.02

   The company recognized an expense of $148 in the nine months ended September 30, 2017 within general and administrative expenses with regards to the DSU Plan.

b. Under the Baylin Stock Option Plan (the "Stock Option Plan"), there have been five grants as of September 30, 2017:

   i. The President and Chief Executive Officer was granted options to acquire 925,000 common shares at an exercise price of $1.51 (CAD) per share. As of September 30, 2017 all of the options were vested. The options expire on August 24, 2020.

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

Expected volatility of the share prices (%)	44.42 - 45.29
Risk-free interest rate (%)	0.9
Expected life of share options (years)	2.67 - 3.25
Option fair value at the grant date (CAD)	0.44 - 0.48

Canadian dollars in thousands

ii. In the first quarter of fiscal 2017: (i) the President and Chief Operating Officer, America/EMEA was granted options to acquire 435,000 common shares at an exercise price of $1.98 (CAD) per share; and, (ii) the EVP Innovation and Product Strategy was granted options to acquire 250,000 common shares at an exercise price of $1.98 (CAD) per share. At September 30, 2017 nil options were vested, with the balance vesting: (i) 1/3rd on each of March 30, 2018, March 30, 2019 and March 30, 2020; and, (ii) immediately upon a change of control of the Company. The options expire on March 30, 2022.

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

Expected volatility of the share prices (%)	50.48
Risk-free interest rate (%)	1.10
Expected life of share options (years)	5.0
Option fair value at the grant date (CAD)	0.89

iii. In the third quarter of fiscal 2017: (i) the President – Asia Pacific was granted options to acquire 300,000 common shares at an exercise price of $2.00 (CAD) per share. At September 30, 2017 nil options were vested, with the balance vesting: (i) 1/3rd on each of August 8, 2018, August 8, 2019 and August 8, 2020; and, (ii) immediately upon a change of control of the Company. The options expire on August 8, 2022.; and, (ii) the Chief Financial Officer was granted options to acquire 200,000 common shares at an exercise price of $2.00 (CAD) per share. At September 30, 2017 nil options were vested, with the balance vesting: (i) 1/3rd on each of August 8, 2018, August 8, 2019 and August 8, 2020; and, (ii) immediately upon a change of control of the Company. The options expire on August 8, 2022.

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

Expected volatility of the share prices (%)	48.69
Risk-free interest rate (%)	1.55
Expected life of share options (years)	5.0
Option fair value at the grant date (CAD)	0.87

iv. The Company intends to grant the President and Chief Operating Officer, America/EMEA a further 65,000 share options on March 30, 2018, on similar terms under the Stock Option Plan at a price to be determined at the time of grant.

NOTE 9: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Foreign exchange risk

A portion of the Group's revenues and operating costs is denominated in currencies other than the functional currency of the relevant Group entity. As a result, the Group is exposed to currency risk on these transactions. The Company's objective in managing its currency risk is to minimize its exposure to currencies other than its functional currency. The Company does so by matching foreign denominated assets with foreign denominated liabilities.

Credit risk

A significant portion of 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 major customers would adversely affect our business, results of operations and financial condition. The Company's strategy in managing this risk is to diversify its customer base by expanding its product portfolio and enhancing our sales and marketing efforts.

The Company and its subsidiaries extend 30-90 day credit terms to its 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 Group provides an allowance for doubtful accounts based on the factors that affect the credit risk of certain customers, past experience and other information.

We recognize a significant portion of our revenue from a limited number of customers. The loss of, or a significant reduction in, orders from one or more of our major customers would adversely affect our business, results of operations and financial condition. In particular, we received 49% and 52% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the nine months ended September 30, 2017 and September 30, 2016, respectively.

Liquidity risk

The Group monitors its liquidity risk through the use of quarterly budgets, weekly cash flow projections, and close monitoring of accounts receivable balances, inventory build and payment of suppliers. The objective is to maintain sufficient liquidity in our operating entities through a combination of cash on hand, borrowings under Credit Facilities, and generating operating cash flow. We also regularly monitor the amounts owing to Galtronics China by other subsidiaries to ensure compliance with China's State of Administration of Foreign Exchange ("SAFE") requirement.

NOTE 10: RELATED PARTY TRANSACTIONS

Share-based payment for executive officers

These amounts represent the costs of the Company's President and Chief Executive Officer and other key executives and employees' grants under the Company's stock option plan.

Share-based payment for directors

The company recognized an expense of $148 in the nine months ended September 30, 2017 within general and administrative expenses. These amounts represent the costs of directors' grants under the DSU Plan.

NOTE 11: OTHER EVENTS DURING THE REPORTING PERIOD

Change in presentation currency

As of January 1, 2017 the Company changed its presentation currency to Canadian dollars from the United States dollar. All comparative information is similarly now reported in Canadian dollars.

Restructuring provision and impairment loss

On June 12, 2017, the Company made the decision to cease operations at its engineering facility in Tiberias, Israel. Existing assets in Tiberias, Israel have been transferred to other locations of the Company. The Company took an impairment charge of $191 in the nine months ended September 30, 2017 for property and equipment that could not be transferred and for which the company intends to dispose of. The property and equipment only has use in the Tiberias, Israel engineering facility thus the carrying value had exceeded fair value. The Company also expensed $723 in the nine months ended September 30, 2017 for property carrying costs and severance costs related to the closure.

Galtronics Canada Ltd.

On September 11, 2017, Galtronics Canada Ltd. ("Galtronics Ottawa" or GTO") was registered pursuant to the laws of the province of Ontario. Galtronics Ottawa's registered office is located in Ottawa, Ontario, Canada. The Company holds 49% of the issued and outstanding common shares of Galtronics Ottawa.

Galtronics Ottawa operates in the field of research and development of a wide range of antennas and communications solutions primarily for the small cell, DAS and base station markets, primarily in North American.

GTO incurred a net loss of $104 for the period ended September 30, 2017.