BAYLIN TECHNOLOGIES

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended March 31, 2018

Dated May 7, 2018

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2018

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Baylin Technologies Inc. ("Baylin", the "Company", "we" or "us") was prepared by management as at May 7, 2018. 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, 2017 (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, 2018 (the "Interim Financial Statements" and, together with the Annual Financial Statements, collectively, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to May 7, 2018, unless otherwise stated.

Additional information relating to the Company, including the most recent Annual Information Form, may be found at www.sedar.com. Unless otherwise stated, all amounts shown in this MD&A are in Canadian dollars.

This MD&A contains commentary from the Company's management regarding the Company's strategy, operating results, financial position and outlook. Management is responsible for the accuracy, integrity, and objectivity of this MD&A. Accordingly, management develops, maintains and supports necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements concerning anticipated developments in our operations in future periods, the adequacy of our financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates,", "predicts," "potential," "targeted," "plans," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. These forward-looking statements include, without limitation, statements about our market opportunities, strategies, competition, expected activities and expenditures as we pursue our business plan, the adequacy of our available cash resources and other statements about future events or results. Forward-looking statements are statements about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, such as business and economic risks and uncertainties. Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and, are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Consequently, all forward-looking statements made in this MD&A on the financial conditions and results of operations or the documents incorporated by reference are qualified by this cautionary statement and there can be no assurance that actual results or developments we anticipate will be realized. Some of these risks, uncertainties and other factors are described in our most recent Annual Information Form under the heading "Risk Factors", which is available at www.sedar.com. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and we assume no obligation to update any forward-looking statements, whether as a result of new information or future events or otherwise, except to the extent required by applicable law.

NON-GAAP MEASURES

This MD&A references certain measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. The measures we use are specifically defined where they are first used in this report.

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

The non-GAAP measures presented in this MD&A are as follows: (i) "EBITDA", which refers to operating income (loss) plus depreciation and amortization, (ii) "Adjusted EBITDA", which refers to EBITDA plus non-recurring items, as hereinafter defined, (iii) "Adjusted net income (loss)", which refers to net income (loss) plus non-recurring items, (iv) "gross margin", which refers to gross profit divided by revenue, (v) "net cash", which refers to cash and cash equivalents minus bank indebtedness and minus current portion of capital leases, (vi) "working capital", which refers to current assets minus current liabilities, and (vii) "non-cash working capital", which refers to working capital minus net cash.

OVERVIEW

Background

Baylin is a leading, diversified, global wireless technology management company. Baylin focuses on research, design, development, manufacturing and sales of passive and active radio frequency products and services. The Company's products are marketed and sold under the brand names Galtronics and Advantech Wireless.

The Galtronics line of business, established in 1978, designs and manufactures innovative wireless antenna solutions for customers' mobile, embedded, DAS and small cell needs.

The Advantech Wireless line of business, acquired by Baylin on January 17, 2018 from Advantech Wireless Inc., designs and manufactures radio frequency and microwave products for wireless communications markets, for commercial, critical infrastructure, government and military clients. Baylin operates the Advantech Wireless line of business through its subsidiary, Advantech Wireless Technologies Inc.

Key Highlights

Key highlights for the three month period ended March 31, 2018 include the following:

- Revenue grew to $29.4 million in the first quarter of 2018, an increase of $9.6 million or 48.7% over the first quarter of 2017.
- Gross profit was $10.6 million in the first quarter of 2018, an increase of $4.6 million over the first quarter of 2017. Gross margin was 36% in the first quarter of 2018, improved by six percentage points compared to the prior year period (see "Non-GAAP Measures" on page 2 of this MD&A).
- Adjusted EBITDA was $1.45 million in the first quarter of 2018 compared to $0.2 million in the first quarter of 2017. Certain non-recurring and one-time expenses ("non-recurring items") of $3.5 million were incurred in the first quarter of 2018 (see "Non-GAAP Measures" on page 2 of this MD&A), which were primarily related to the acquisition of Advantech Wireless.
- Cash on hand at March 31, 2018 was $9.4 million, a reduction of $25.8 million from December 31, 2017. This decrease was primarily due to cash utilized for payment of a portion of the purchase price for Advantech Wireless and an increase in non-cash working capital (see "Non-GAAP Measures" on page 2 of this MD&A).
- The Company significantly strengthened the management team of its subsidiary, Advantech Wireless Technologies Inc., with the addition of John Restivo as President and Tony Radford as Vice President of Global Sales. Both Mr. Restivo and Mr. Radford have amassed thirty year careers in the satellite communications industry and will be instrumental in the Company's aggressive expansion plan for the Advantech Wireless line of business.
- The Company's Embedded Antenna Group also strengthened its management team with the appointment of Simon Yang as Vice President of the engineering team in Tempe, Arizona and John Dakas as Vice President of Sales of the Embedded Antenna Group. Dr. Yang is a thirty year veteran of the wireless community and has made many contributions to the industry as a whole including system level active throughput optimization in product development which is now an industry standard process. Mr. Dakas brings a deep understanding of the embedded antenna industry to the Company and will provide important direction to the group as opportunities in the wireless marketplace continue to expand.
- The Company's subsidiary, Galtronics Corporation Ltd., signed a manufacturing services agreement with Jabil Inc., a United States based global manufacturing services company with operations around the world. This new partnership was driven by the combination of current product backorders, demand for new base

station antenna manufacturing of larger products and shorter delivery lead times required by the Company's customers in North America.

Recent Developments

On January 17, 2018, the Company acquired the radio frequency, terrestrial microwave and antenna equipment divisions of Advantech Wireless Inc. and certain of its affiliates, through newly incorporated, wholly-owned subsidiaries of the Company. The purchase price for the acquisition was $49 million, subject to customary adjustments. The purchase price was satisfied through $48 million in cash and the issuance of 308,642 common shares at a deemed price of $3.24 per share.

To fund a portion of the purchase price for the acquisition, the Company entered into a credit agreement with Crown Capital Partners Inc., pursuant to which Crown provided a $33 million term loan. A total of 682,500 common share purchase warrants were issued to Crown in connection with the term loan. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $3.37 per common share until January 17, 2023.

Pursuant to the terms of the acquisition, Advantech Wireless Inc. may be entitled to additional compensation of between $0.75 million and $3 million per year in each of 2018 and 2019 conditional on the business meeting certain EBITDA targets in those years.

In connection with the acquisition, Advantech Wireless Inc. entered into a consulting agreement with the Company, pursuant to which Advantech will provide the services of its principals David and Stella Gelerman for two years. In consideration for these services, Advantech will receive a fee of $2.5 million, payable, as to one-half, in cash in quarterly instalments and, as to one-half, through 385,802 common shares issued at closing of the acquisition with a deemed price of $3.24 per share. The trading of such shares is subject to certain time release restrictions for a period of up to 24 months following the closing of the acquisition.

SELECTED FINANCIAL INFORMATION

The table below discloses selected financial information related to income statement and balance sheet items for the periods indicated.

(in $000's except per share amounts)			
	Three Months Ended March 31,		**Twelve months ended**
	2018	**2017**	**December 31, 2017**
	$	**$**	
Revenue	29,438	19,801	91,642
Gross Profit	10,562	5,942	28,345
Loss before income taxes	(4,470)	(1,629)	(3,773)
Income tax expense	137	15	436
Net loss	(4,607)	(1,644)	(4,209)
Basic and diluted loss per share	(0.14)	(0.08)	(0.17)
EBITDA	(2,043)	(224)	2,306
Adjusted EBITDA	1,446	151	4,955
Current assets	54,752	39,968	64,666
Total assets	115,241	61,820	84,882
Current liabilities	26,429	20,326	26,873
Non-current liabilities	32,580	1,635	2,183
Total liabilities	59,009	21,961	29,056

OUTLOOK

Throughout 2018, management plans to continue its strategy of diversifying the Company's revenue base in order to be less reliant on a major Asia Pacific customer by increasing volumes in the Embedded Antennas Group and the Wireless Infrastructure Group.

The acquisition of Advantech, as noted above, has contributed to the diversification of the Company's revenue base. Management expects that this strategic acquisition will accelerate growth by broadening the Company's product offering and providing access to new verticals and geographies.

Management expects manufacturing of small cell and base station antennas to commence at a contract manufacturing facility in Guadalajara, Mexico in the second quarter of 2018.

Engineering operations will continue to accelerate in Canada for traditional DAS, small cell and BSA applications throughout 2018.

DISCUSSION OF OPERATIONS

Description of Operations

<u>Galtronics</u>

The Galtronics line of business is comprised of three interrelated antenna product lines: (i) Asia Pacific, (ii) Embedded Antennas; and, (iii) Wireless Infrastructure (Small Cell/DAS/BSA).

The Asia Pacific Group works with original equipment manufacturer ("OEM") customers to design and produce antennas for mobile phones, smartphones and tablets. The majority of Asia Pacific volumes are now produced at the Company's plant in Vietnam taking advantage of a lower cost structure.

The Embedded Antennas Group works with OEM customers to design and produce antennas for Wi-Fi routers, set-top boxes, home networking devices and land mobile radio products.

The Wireless Infrastructure Group works with network carrier customers and other businesses to design and produce small cell system antennas, distributed antenna systems ("DAS"), and base station antennas ("BSA") that support wireless coverage and mobile data capacity requirements.

<u>Advantech Wireless</u>

The Advantech Wireless line of business is founded on 25 years of significant innovations, including pioneering the use of Gallium Nitride ("GaN") technology to create smaller, lighter, and more powerful products. Advantech Wireless designs and manufactures customizable radio frequency and microwave products for highly specialized wireless communications markets, including the following:

- *RF Components:* (i) GaN-based power amplifiers (block up converters, solid state power amplifiers ("SSPAs") and solid state power block ("SSPBs") converters); (ii) Gallium arsenide ("GaAs") based power amplifiers; (iii) indoor-frequency converters; (iv) outdoor-frequency converters; and (v) transceivers.

- *MW Components:* (i) point- to-point microwave radios; and, (ii) network management software.

- *Antennas & Controllers:* (i) fixed antennas; (ii) mobile antennas; and, (iii) antenna controllers.

Products are designed and produced for customers in the following verticals: (i) broadcast; (ii) maritime and cruise ships; (iii) government and military; (iv) homeland security; (v) direct-to-home satellite; (vi) oil and gas; and, (vii) wireless communications.

Revenue and Gross Profit

(in $000's)			
	Three Months Ended March 31,		
	2018	2017	Change
	$	$	
Revenue	**29,438**	**19,801**	**48.7%**
Cost of Revenue	18,876	13,859	36.2%
Gross Profit	**10,562**	**5,942**	**77.8%**
Gross Margin %	35.9%	30.0%	

a) *Factors Affecting Revenue and Gross Profit*

Revenue

Revenue is derived from the sale of wireless communication components. Financial results are reported as one reportable segment. The Company manufactures and sells a variety of components including antenna products such as antennas for mobile handsets and smartphones, networking and telemetry devices, land mobile radios, telematics and wireless infrastructure antennas and radio frequency and microwave products such as amplifiers, converters and transceivers. Revenue is impacted by the timing of customer's product launches, their project deployment plans, and network expansion investment levels by carriers and independent providers.

Gross Profit

Gross profit is impacted by selling prices, sales volumes, product mix and variable costs of goods sold (being direct materials and direct labour). The Company commenced lean manufacturing processes in order to optimize and reduce its fixed manufacturing costs.

b) *First Quarter 2018 compared to First Quarter 2017*

Revenue was $29.4 million in the first quarter of 2018 compared to $19.8 million in the first quarter of 2017, representing a 48.7% increase. The increase was primarily due to a successful launch of a small cell antenna product in the second half of 2017, which continued to show strong sales in the first quarter of 2018, combined with revenue from Advantech Wireless, which was acquired in January 2018. Revenue from Wireless Infrastructure products grew by 155% and revenue from Embedded Antenna products increased by 17% compared to the first quarter of 2017. These increases were slightly offset by a 4% decrease in Asia Pacific revenue.

Gross profit was $10.6 million in the first quarter of 2018, an increase of $4.6 million over the first quarter of 2017, and gross margin was 36% in the first quarter of 2018, improved by six percentage points compared to the first quarter of 2017 (see "Non-GAAP Measures" on page 2 of this MD&A). This improvement is a result of higher small cell and base station antenna sales, which generate a higher gross margin, combined with revenue from the Advantech product line, which also generates a higher gross margin.

Research and Development Expenses

(in $000's)			
	Three Months Ended March 31,		
	2018	2017	Change
	$	$	
Payrolls	2,696	2,009	34.2%
Other development costs	396	711	-44.3%
Depreciation	171	211	-19.0%
Total	**3,263**	**2,931**	**11.3%**
As a Percentage of Revenue	11.1%	14.8%	

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 related engineering expenses. The Company’s technological design centres are located in South Korea, United States and Canada. We often incur significant expenditures in the development of a new product without any assurance that our customers’ system designers will ultimately select our product for use in their applications. We are often required to anticipate which product designs will generate demand in advance of our customers expressly indicating a need for that particular design. Even if our customers’ system designers ultimately select our products, a substantial period of time will elapse before we generate revenue relative to the possibly significant expenses we have initially incurred.

b) *First Quarter 2018 compared to First Quarter 2017*

R&D expenses in the first quarter of 2018 were $3.3 million (11.1% of revenue). This represents a $0.3 million increase from the first quarter of 2017, which reported R&D expenses of $2.9 million (14.8% of revenue). The increase was attributable to the inclusion of Advantech Wireless’ R&D expenses from January 17, 2018. Management anticipates quarter-over-quarter spending to increase through the balance of 2018 as the Company continues to develop new products to expand its product lines.

Selling and Marketing Expenses

(in $000's)			
	Three Months Ended March 31,		
	2018	2017	Change
	$	$	
Payrolls	1,734	873	98.6%
Other	696	375	85.6%
Total	**2,430**	**1,248**	**94.7%**
As a Percentage of Revenue	8.3%	6.3%	

a) *Factors Affecting Selling and Marketing Expenses*

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

b) First Quarter 2018 compared to First Quarter 2017

The Company's selling and marketing expenses in the first quarter of 2018 were $2.4 million (8.3% of revenue), compared to $1.2 million (6.3% of revenue) in the first quarter of 2017. The increase was mainly due to the expansion of the Galtronics sales team subsequent to the first quarter of 2017 and the addition of Advantech Wireless' selling and marketing expenses in the first quarter of 2018.

General and Administrative Expenses

(in $000's)			
	Three Months Ended March 31,		
	2018	**2017**	**Change**
	$	**$**	
Payrolls	2,622	1,341	95.5%
Other	3,413	1,596	113.8%
Depreciation	86	52	65.4%
Total	**6,121**	**2,989**	**104.8%**
As a Percentage of Revenue	20.8%	15.1%	

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 functions, professional fees, insurance and other corporate expenses.

b) First Quarter 2018 compared to First Quarter 2017

The Company's G&A expenses in the first quarter of 2018 were $6.1 million (20.8% of revenue), whereas in the first quarter of 2017 these expenses were $3.0 million (15.1% of revenue). The increase was primarily due to consulting fees paid to Advantech Wireless Inc. in cash and through the issuance of shares at closing of the Advantech acquisition, the addition of Advantech Wireless' expenses and additional increases related to share based and other compensation expenses not incurred in the prior year period.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS measures that management uses to assess the Company's operating performance (see "Non-GAAP Measures" on page 2 of this MD&A for a description of these measures). EBITDA and Adjusted EBITDA are reconciled as follows:

Reconciliation to Operating Loss

(in $000's)			
	Three Months Ended March 31,		
	2018	**2017**	**Change**
	$	**$**	
Operating income (loss)	**(3,040)**	**(1,226)**	**148.0%**
Amortization and depreciation	997	1,003	-0.6%
EBITDA	**(2,043)**	**(223)**	**816.1%**
Acquisition expenses, consulting fees and other one-time costs	3,489	375	830.4%
Adjusted EBITDA	**1,446**	**152**	**851.3%**

a) Factors Affecting Operating Income (Loss), EBITDA and Adjusted EBITDA

Operating loss, EBITDA and Adjusted EBITDA are highly impacted by revenue volumes, the mix of product sales, operating expenses and investment in R&D related to new wireless infrastructure products.

b) *First Quarter 2018 compared to First Quarter 2017*

The Company's operating loss for the three months ended March 31, 2018 was $3 million, compared to an operating loss in the first quarter of 2017 of $1.2 million.

Adjusted EBITDA in the first quarter of 2018 was $1.45 million compared to $0.2 million in the first quarter of 2017. The non-recurring items in the first quarter of 2018 amounted to $3.5 million and were comprised primarily of acquisition costs related to the acquisition of Advantech Wireless, consulting fees paid to Advantech Wireless Inc. in cash and through the issuance of shares at closing of the Advantech acquisition and sundry other non-recurring items.

Net Loss for the period

(in $000's)			
	Three Months Ended March 31,		
	2018	**2017**	**Change**
	$	**$**	
Loss before taxes	(4,470)	(1,629)	174.4%
Income tax expense	137	15	813.3%
Net loss for the period	**(4,607)**	**(1,644)**	**180.2%**
Basic and diluted loss per share	**$ (0.14)**	**$ (0.08)**	

a) *Factors Affecting Net Income or Loss*

Net loss is influenced by the above noted factors for operating loss and EBITDA.

b) *First Quarter 2018 compared to First Quarter 2017*

The Company's net loss in the first quarter of 2018 was $4.6 million compared with a net loss in the first quarter of 2017 of $1.6 million. Management considers that the higher net loss in the first quarter of 2018 was primarily due to Advantech Wireless acquisition expenses of approximately $1.8 million, consulting fees paid to Advantech Wireless Inc. of approximately $1.1 million, other non-recurring expenses of $0.5 million and unrealized foreign exchange losses of $0.6 million. On a loss per share basis, the first quarter of 2018 experienced a loss of $0.14 per share, compared to $0.08 per share in the first quarter of 2017.

Reconciliation of the Use of Proceeds from the 2016 Financing

On December 22, 2016, the Company completed a public offering of common shares which raised net proceeds of approximately $5,048,088 (the **"December 2016 Offering"**). The following table sets forth a comparison of the disclosure regarding the Company's intended use of proceeds set out in the Company's short form prospectus dated December 15, 2016 (the **"December 2016 Prospectus"**) in connection with the December 2016 Offering and the estimated use of proceeds as of March 31, 2018:

	Initial Intended Use of Proceeds	**Current Estimated Use of Proceeds**
Research and development in respect of Baylin's macro antennas	$3,000,000	$3,300,000 (1)
Capital expenditures	$600,000	$900,000 (2)
Working capital and general corporate purposes	$1,448,088	$848,088 (3)
Totals	**$5,048,088**	**$5,048,088**

Notes:

(1) As at March 31, 2018, the Company had spent approximately $3.3 million of the December 2016 Offering net proceeds on this item.

(2) As at March 31, 2018, the Company had spent approximately $900,000 of the December 2016 Offering net proceeds on this item.
(3) As at March 31, 2018, the Company had spent approximately $848,088 of the December 2016 Offering net proceeds on this item.

Reconciliation of the Use of Proceeds from the 2017 Financing

On November 28, 2017, the Company completed a public offering of common shares which raised net proceeds of approximately $18,072,000 (the **"November 2017 Offering"**). The following table sets forth a comparison of the disclosure regarding the Company's intended use of proceeds set out in the Company's prospectus supplement dated November 20, 2017 (the **"November 2017 Prospectus"**) in connection with the November 2017 Offering and the estimated use of proceeds as of March 31, 2018:

	Initial Intended Use of Proceeds	**Current Estimated Use of Proceeds**
Capital expenditures	$4,000,000	$1,200,000 (2)
Working capital	$7,000,000	$1,500,000 (3)
General corporate purposes	$7,072,000	$500,000 (4)
Acquisition (1)	-	$14,072,000 (5)
Totals	**$18,072,000**	**$18,072,000**

Notes:

(1) On January 17, 2018, Baylin acquired the radio frequency, terrestrial microwave and antenna equipment divisions of Advantech Wireless Inc.
(2) As at March 31, 2018, the Company had spent approximately $0.2 million of the November 2017 Offering net proceeds on this item.
(3) As at March 31, 2018, the Company had spent approximately $1.5 million of the November 2017 Offering net proceeds on this item.
(4) As at March 31, 2018, the Company had spent approximately $0.5 million of the November 2017 Offering net proceeds on this item.
(5) The Company used approximately $14.1 million of the November 2017 Offering net proceeds for a portion of the cash component of the purchase price of Advantech and related acquisition expenditures.

SUMMARY OF QUARTERLY RESULTS

(in $000's, except per share amounts)				
	Three Months Ended			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
	$	$	$	$
Revenue	20,350	27,140	24,351	29,438
Gross Profit	6,801	8,424	7,178	10,562
EBITDA	(1,476)	2,652	979	(2,043)
Adjusted EBITDA	31	3,076	1,322	1,446
Net Income (Loss)	(3,579)	896	(257)	(4,607)
Basic and diluted income (loss) per	($0.14)	$0.04	$0.00	($0.14)
Total current assets	41,478	44,926	64,666	54,752
Total assets	61,944	64,244	84,882	115,241
Total liabilities	24,493	27,207	29,056	59,009

(in $000's, except per share amounts)				
	Three Months Ended			
	June 30, 2016	September 30, 2016	December 31, 2016	31-Mar-17
	$	$	$	$
Revenue	20,756	22,457	19,995	19,801
Gross Profit	5,865	6,257	5,760	5,942
EBITDA	638	449	(223)	(224)
Adjusted EBITDA	597	740	97	151
Net Income (Loss)	(478)	230	(1,653)	(1,644)
Basic and diluted income (loss) per share	($0.02)	$0.01	($0.09)	(0)
Total current assets	44,351	46,847	43,031	39,968
Total assets	71,361	73,151	65,006	61,820
Total liabilities	27,576	29,675	23,576	21,961

CAPITAL RESOURCES AND LIQUIDITY

The Company’s capital resources are in part used to fund working capital associated with product launches, to invest in design proposals for our current customers, and for capital investments required to sustain and expand our business and manufacturing capabilities in order to meet customer demands.

Liquidity

Management’s approach is to ensure, to the extent possible, that sufficient liquidity exists to meet liabilities as they become due. We do so by continuously monitoring cash flows, actual revenue and expenses, compared to budgeted amounts. Cash flow is monitored on a weekly basis, while other metrics such as the cash conversion cycle (“CCC”), are monitored monthly. Management looks to these key indicators to ensure the Company is generating sufficient cash to maintain capacity and meet planned growth. For example, a low CCC implies a more efficient use of working capital employed.

The Company had cash and cash equivalents at March 31, 2018, December 31, 2017 and March 31, 2017, of $9.4 million, $35.2 million, and $15.6 million, respectively.

During the first quarter of 2018, the Company used $5.1 million in cash from operating activities, which included cash to fund and increase non-cash working capital of $4.3 million. In addition, the Company used $0.5 million in cash for capital expenditures. Approximately $30.8 million in cash generated from financing activities was utilized for the Advantech acquisition.

Working Capital Requirements

Working capital requirements are mainly for materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements can increase because of increased revenue, customers payment delays, increased inventory levels to meet additional demand and/or paying our suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at March 31, 2018, the Company's CCC was77 days, compared to 15 days at December 31, 2017. The increase was primarily due to including Advantech Wireless with a CCC of 226 days. Management expects to decrease Advantech Wireless' CCC going forward.

During the first quarter of 2018, non-cash working capital increased by $4.3 million. Management considers that this increase was primarily due to the factors noted below.

Net trade receivables were $23.2 million as at March 31, 2018 compared to $16.1 million as at March 31, 2017. The increase was mainly due to the addition of Advantech Wireless' trade receivables.

Inventory as at March 31, 2018 was $19.1 million, compared to $9.2 million as at March 31, 2017. The increase was attributable to the addition of Advantech Wireless' inventory.

Trade payables and other liabilities at March 31, 2018 were $25 million compared to $22.6 million at March 31, 2017. The increase was primarily related to the addition of Advantech Wireless' payables.

Commitments for capital expenditures

There were no material commitments for capital expenditures at March 31, 2018**.**

Credit Facilities

As at March 31, 2018 the Company had credit facilities with banks domiciled in Canada, China, Vietnam and Korea (collectively the "Credit Facilities"). These Credit Facilities (except for the Vietnamese facility) are revolving and renewable by the banks for a period up to twelve months. As for the bank credit in China there is a staggered renewal schedule, with each of its three tranches renewable in January or February, March and August of every year. The first two tranches were repaid in the first quarter of 2018 and were not renewed. The Credit Facilities bear interest at annual interest rates ranging from approximately 3.6%-5.9% and are collateralized by trade receivables, inventory, an irrevocable letter of credit issued by Baylin to the lender in Korea, and property, plant and equipment. As at March 31, 2018 the Company had access to approximately $10.5 million of credit of which $1.7 million was utilized.

The Company's ability to utilize the Credit Facilities is dependent on being able to provide collateral in accordance with the requirements of the respective banks providing the Credit Facilities. The Credit Facilities are for working capital and are secured by the Company's building in China and certain manufacturing equipment in Vietnam.

The Credit Facilities contain certain covenants that the Company must comply with, failing which amounts outstanding under the Credit Facilities may become payable on demand. As of the date of this MD&A, the Company is in compliance with all applicable financial covenants under the Credit Facilities.

Long-term Debt

In connection with the acquisition of Advantech Wireless, the Company entered into a term loan ("Loan") with Crown Capital Partners Inc. with a principal amount of $33.0 million, an annual interest rate of 9% and maturity date of January 17, 2023. The Company also issued warrants to acquire up to 682,500 common shares at an exercise price of $3.37 per common share and expiring on January 17, 2023. The credit agreement applicable to the Loan dated January 17, 2018, as amended, contains certain covenants that the Company must comply with, failing which the Loan may become payable on demand. As of the date of this MD&A, the Company is in compliance with all applicable covenants under the credit agreement.

CONTRACTUAL COMMITMENTS AND OBLIGATIONS

As of the date of this MD&A, management is not aware of any commitments or obligations other than those presented under this section that could materially affect the Company's future business.

In accordance with applicable Chinese laws, Baylin's subsidiary Galtronics Electronics (Wuxi) Co., Ltd. ("Galtronics China") is permitted to distribute up to 90% of its after-tax earnings. As of March 31, 2018, amounts restricted from distribution, which constitute 10% of Galtronics China's retained earnings, amounted to approximately $1.0 million.

Known contractual obligations as at March 31, 2018 were as follows:

(in $000's)	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
	$	$		$	$		$
Loans and credit from banks and financial institutions	1,368	354	-	-	33,000	-	34,722
Trade and other payables	24,976	-	631	-	-	-	25,607
Operating lease commitments	1,377	1,020	655	457	439	1,705	5,653
Total	**27,721**	**1,374**	**1,286**	**457**	**33,439**	**1,705**	**65,982**

The purchase price for Advantech Wireless is subject to customary post-closing adjustments and the seller may be entitled to additional compensation between $0.75 million and $3 million in each of 2018 and 2019 conditional on Advantech Wireless meeting certain performance targets.

COMMITTMENTS

Baylin and certain of its subsidiaries, including Galtronics China, Galtronics Korea Ltd. ("Galtronics Korea"), Galtronics Corporation Ltd. ("Galtronics Israel"), Galtronics Vietnam Co., Ltd. ("Galtronics Vietnam"), Advantech Wireless Technologies Inc., have entered into rental agreements for certain premises.

The future minimum lease fees payable by Baylin and its subsidiaries as at March 31, 2018 were as follows:

(in $000's)		
		$
Year 1:	12 months	1,377
Year 2 to 5:	13 to 60 months	2,572
Year 6 onwards:	61 months onwards	1,705
Total expenses		**5,653**

Stock Option Grants

The Company's stock option plan (the "Stock Option Plan") was adopted to provide the board of directors with the ability to grant stock options to directors, officers, employees and consultants of the Company (or its affiliates) as performance incentives. There are limitations on the number of common shares issuable under the Stock Option Plan (and all other security based compensation arrangements), as well as limitations on the number common shares issuable to insiders (or their affiliates). At the time of granting a stock option, the board of directors must approve: (i) the exercise price, being not less than the market value of the common shares; (ii) the vesting provisions, generally being one third vests on each anniversary of the grant date, and (iii) the expiry date, generally being no more than seven years after the grant date.

The table below summarizes grants made under the Stock Option Plan as at March 31, 2018:

	Stock option grant date			
	August 24, 2015	**March 30, 2017**	**August 8, 2017**	**January 8, 2018**
Stock options granted	925,000	685,000	500,000	30,000
Exercise price	$1.51	$1.98	$2.00	$3.11
Option expiry date	August 24, 2020	March 30, 2022	August 8, 2022	January 8, 2023
Options vested as at:				
March 31, 2018	925,000	228,333	-	-
December 31, 2017	925,000	-	-	-

Subsequent to March 31, 2018, the Company granted an additional 215,000 stock options under the Stock Option Plan to new executive management.

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

The Company recognized a stock option expense in the first quarter of 2018 of $0.3 million, which was included in G&A expense.

Deferred Share Unit Plan

The Company's deferred share unit plan (the "DSU Plan") forms part of its long-term incentive compensation for directors. Unless otherwise approved by the board of directors, each director may elect to receive between 50% and 100% of their annual retainers in deferred share units ("DSUs") (if no election is made a deemed election of 50% applies). The number of DSUs issued is determined each month while the director is serving as a board member. DSUs granted will be settled by issuing of common shares on the date the director ceases to be a director of the Company and its subsidiaries. The number of DSUs issuable is limited to 500,000 units.

The Company recognized a DSU expense of $0.05 million in the three months ended 2018, which was included in G&A expense.

The following table lists the number of DSUs outstanding as at March 31, 2018 and the number issued during the three months ended March 31, 2018:

	Number of DSUs	**Weighted average price in CAD**	
DSUs outstanding at January 1, 2018	302,422	$	2.20
DSUs granted during first quarter 2018	12,220	$	3.89
DSUs outstanding at March 31, 2018	314,642	$	2.27

Employee Share Purchase Plan

In January 2018, certain employees of the Company ("Participants") commenced participation in the Employee Share Purchase Plan ("ESPP"). The Company will grant each Participate a number of shares equal to each Participant's annual share purchase commitment. 83,968 common shares of the Company were acquired for an aggregate purchase price of $0.3 million to fulfill the Company's obligations under the ESPP. The Company recognized $0.03 million in general and administrative expenses for the three months ended March 31, 2018 with regards to the ESPP.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements consist of the letter of credit disclosed in the "Credit Facilities" section of this MD&A, and operating lease obligations in the "Contractual Commitments and Obligations" section.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into a service agreement with a company controlled by its principal shareholder, for office space, services of certain employees, administrative support and supplies, computers and communication equipment. The Company incurred expenses of $0.14 million in general and administrative expenses for the 12 months ended December 31, 2017 under this service agreement. The Company terminated the service agreement, in the second quarter of 2017, with no penalty, and secured alternative office space with a non-related party.

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. On January 1, 2016 this agreement was renewed until December 31, 2016. On January 1, 2017 this agreement was renewed until December 31, 2017. On January 1, 2018 this agreement was renewed until December 31, 2018. As consideration for the services provided under the agreement, the Company agreed to pay Mr. Royer an annual fee of $150,000 in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. Mr. Royer irrevocably renounced to be paid any amount under this agreement for the years ended December 31, 2015, 2016 and 2017. As of the date of this Circular, the Company has paid $37,500 to Mr. Royer under this agreement for 2018.

In January 2018, the Company acquired the radio frequency, terrestrial microwave and antenna equipment divisions of Advantech Wireless Inc. and certain of its affiliates, through newly incorporated, wholly-owned subsidiaries of the Company. Advantech Wireless Inc. is owned and controlled by David Gelerman, a director of the Company.

Pursuant to the terms of the acquisition, Advantech Wireless Inc. may be entitled to additional compensation of between $0.75 million and $3 million per year in each of 2018 and 2019 conditional on the business meeting certain EBITDA targets in those years.

In connection with the acquisition, Advantech Wireless Inc. entered into a consulting agreement with the Company, pursuant to which Advantech will provide the services of its principals David and Stella Gelerman for two years. In consideration for these services, Advantech Wireless Inc. will receive a fee of $2.5 million, payable, as to one-half, in cash in quarterly instalments and, as to one-half, through 385,802 common shares issued at closing of the acquisition with a deemed price of $3.24 per share. The trading of such shares is subject to certain time release restrictions for a period of up to 24 months following the closing of the acquisition.

During the three months ended March 31, 2018, Advantech Wireless Inc. and certain of its affiliates acted as agent (“Agent”) for the Company through cash collections of $7,182 and cash payments of $5,874 on the Company’s behalf. As at March 31, 2018, $3,092 due from the Agent was included in trade receivables and $1,783 due to the Agent was included in accounts payable and accrued liabilities.

There are no other material related party transactions other than as described herein.

CRITICAL ESTIMATES

The preparation of the Company’s Financial Statements requires management to make estimates and judgements that affect the reported numbers. On an ongoing basis, management evaluates estimates, including those related to bad debts, inventory net realizable value and obsolescence, useful lives of fixed assets, asset impairment, fair values, income taxes, post-employment benefits liabilities, guarantees, contingencies, and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. If actual performance should differ from historical experience or if the underlying assumptions were to change, our financial condition and results of operations may be materially impacted.

Our most significant assets, accounts receivable, inventory and property, plant and equipment, are subject to critical estimates or judgments.

Accounts Receivable

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. Management exercises judgement in determining a portion of the trade receivables which required an incremental loss allowance in order to comply with the requirements of IFRS 9. There is no significant effect on the carrying value of our other financial instruments under IFRS 9 related to this new requirement. As a result of IFRS 9 application, no decrease to accounts receivable was recognized effective January 1, 2018.

Inventory Valuation

Management evaluates inventory balances on an ongoing basis and records a provision for slow-moving or obsolete inventory. In performing this review, we consider factors such as forecasted sales, product lifecycles and product development plans, quality issues and inventory levels. If future demand or market conditions for our products are less favorable than forecasted or if unforeseen technological changes occur, we may be required to record write-downs.

Fixed Assets

Management conducts an annual impairment assessment of property, plant and equipment in the fourth quarter of each year (which corresponds to the Company’s annual planning cycle). Whenever events or changes in circumstances indicate that the carrying amount of an asset or Cash Generating Unit ("CGU") may not be recoverable, we recognize an impairment loss when the carrying amount of an asset or CGU exceeds its recoverable amount (measured as the greater of its value-in-use and its fair value less costs to sell). The Company operates as one CGU. Where required, the Company uses professional assessors to determine the value of its property, plant and equipment at each of its locations. In relation to the closure of the Company's engineering facility in Tiberias, Israel, an impairment charge of $351 was taken in the twelve months ended December 31, 2017 for property and equipment that could not be transferred and for which the company intends to dispose of. The property and equipment only had use in the Tiberias, Israel engineering facility thus the carrying value had exceeded fair value. There was no indication of an impairment of any other fixed assets as at March 31, 2018.

Other areas involving significant estimates and judgements include:

Contingent Compensation

The seller of Advantech Wireless may be entitled to additional compensation in each of 2018 and 2019 conditional on Advantech Wireless meeting certain performance targets. The fair value of the additional compensation was determined by applying a probability metric to expected compensation.

Post-employment Benefits Liabilities

The Company operates defined benefit plans in respect of severance, retirement and other local labor laws relevant to post-employment benefit liabilities in Israel and South Korea. A portion of post-retirement benefit plans are financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans. The present value of post-employment benefits liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for severance pay and plan assets include a discount rate. Any changes in these assumptions will impact the carrying amount of severance pay and plan assets. Other key assumptions inherent to the valuation include employee turnover, inflation and future payroll increases. These assumptions are based on independent actuarial advice and are updated on an annual basis. Actual circumstances may vary from these assumptions, giving rise to a different severance pay liability. Post-employment benefits influence current and non-current liabilities and payrolls for all cost categories.

Income Taxes

Management believes that we have adequately provided for income taxes based on all of the information that is currently available. The calculation of income taxes in many cases requires significant judgement in interpreting tax rules and regulations, which are constantly changing. The Company's tax filings are also subject to audits, which could materially change the amount of current and future income tax assets and liabilities. Any change would be recorded as a charge or reduction in income tax expense.

Legal Liabilities

As at the date of this MD&A, management is not aware of any pending material legal claims.

ADOPTION OF NEW ACCOUNTING STANDARDS AND DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

Please refer to Note 5 of the Interim Financial Statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to various financial risks such as foreign exchange risk, interest rate risk and credit risk and liquidity risk. Our risk management focuses on activities that reduce to a minimum any possible adverse effects on our consolidated financial performance.

Foreign exchange risk:

The major portion of revenue is earned in USD. The other portions are earned in other currencies such as Chinese Yuan, Vietnamese Dong and South Korean Won. However, these portions are USD driven since customers' total product costing is USD based. A portion of the operating costs are realized in currencies other than the functional currencies of relevant entities. As a result, we are exposed to currency risk on these operations. Also, additional earnings volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the rate of exchange at the end of each reporting period, the impact of which is reported as a foreign exchange gain or loss in finance expenses. Our objective in managing currency risk is to minimize exposure to currencies other than functional currency. Our policy is to match foreign denominated assets with foreign denominated liabilities.

Interest rate risk:

Management believes interest rate risk is low. Interest rates have been relatively stable over the past several years.

Customer concentration risk and credit risk:

A significant portion of the Company's products are sold to a limited number of major customers located primarily in North America and Asia. The top three customers in any given year may not be the same top three customers in a previous or subsequent year. The loss of, or a significant reduction in, orders from one or more of our major customers would adversely affect the Company's business, results of operations and financial condition. The Group recognized an aggregate of 34% and 49% of revenue, directly and indirectly, from its largest customer and its subcontractors for the 3 months ended March 31, 2018 and March 31, 2017, respectively. The Company's strategy in managing this risk is to diversify its customer base by expanding its product portfolio and enhancing its sales and marketing efforts.

The Company and its subsidiaries extend 30-90 day credit terms to its customers and regularly monitors 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.

Liquidity risk:

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

OUTSTANDING SHARE DATA

As of March 31, 2018, the Company had 31,207,357 common shares issued and outstanding.

The aggregate number of common shares reserved for issuance under the Stock Option Plan is a maximum of 10% of the issued and outstanding common shares. As at the date of this MD&A, options to purchase up to an aggregate of 2,355,000 common shares were outstanding and options to purchase up to an additional 765,735 common shares are available for grant under the Stock Option Plan.

As at the date of this MD&A, there are outstanding common share purchase warrants to purchase up to 745,670 common shares.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design and operating effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Based on a review of the Company's internal control procedures, management believes its internal controls and procedures are appropriately designed as at March 31, 2018.

No significant changes in the Company's internal controls over financial reporting occurred during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Disclosure Controls and Procedures

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's President and Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Company's disclosure controls and procedures as at March 31, 2018 and have concluded that these controls and procedures were appropriately designed.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the most recently filed Annual Information Form and Management Information Circular, is available on SEDAR at www.sedar.com.

RISK FACTORS

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's Annual Information Form dated February 28, 2018, which is available on SEDAR at www.sedar.com.