BAYLIN TECHNOLOGIES

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2018

Dated October 31, 2018

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three and Nine Months Ended September 30, 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 October 31, 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 and nine months ended September 30, 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 October 31, 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 Management pursues its 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 Management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and Management 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 anticipated will be realized. Some of these risks, uncertainties and other factors are described in the Company's most recent Annual Information Form and the Company's prospectus supplement dated July 3, 2018 to a short form base shelf prospectus dated November 16, 2017 under the heading "Risk Factors", all of which are 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 Management assumes 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. Management believes these measures are commonly employed to measure performance in its industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and the Company's ability to incur and service debt to support its business activities. The measures used are specifically defined where they are first used in this report.

While management believes 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 ("RF") products and services. The Company's products are marketed and sold under the brand names Galtronics, Advantech Wireless, Alga Microwave and Mitec.

The Galtronics line of business, established in 1978, designs and manufactures innovative wireless antenna solutions for customers' mobile, embedded, distributed antenna systems ("DAS"), base station and small cell needs. Baylin operates the Galtronics line of business through certain of its subsidiaries.

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

The Alga Microwave line of business, acquired by Baylin on July 11, 2018, supplies RF and microwave solid state power amplifiers, pulsed amplifiers for radar applications, transmitter and transceiver products as well as RF passive components and systems. Baylin operates the Alga Microwave and Mitec line of business through certain of its subsidiaries.

Key Highlights

Key highlights for the three month period ended September 30, 2018 include the following:

- Revenue grew to $38.2 million in the third quarter of 2018, an increase of $11.0 million or 40.7% over the third quarter of 2017.
- Gross profit was $16.2 million in the third quarter of 2018, an increase of $7.7 million over the third quarter of 2017. Gross margin was 42.3% in the third quarter of 2018, improved by eleven percentage points compared to the prior year period gross margin of 31.0%
- Adjusted EBITDA was $7.1 million in the third quarter of 2018 compared to $3.1 million in the third quarter of 2017. Certain non-recurring and one-time expenses ("non-recurring items") of $2.3 million were incurred in the third quarter of 2018, which were primarily expenses related to the acquisition of Alga Microwave Inc., consulting fees paid to Advantech Wireless Inc. and other non-recurring items.
- Cash on hand at September 30, 2018 was $19.1 million, a reduction of $16.1 million from December 31, 2017. The decrease was primarily due to: (i) cash utilized for payment of a portion of the purchase price for Advantech Wireless and related fees and expenses; (ii) cash utilized for payment of a portion of the purchase price for Alga Microwave and related fees and expenses; and, (iii) an increase in non-cash working capital; offset by an increase in cash from: (i) a $33 million term loan from Crown Capital Fund IV, LP; and, (ii) completion of a bought deal public offering of subscription receipts and convertible unsecured debentures for aggregate gross proceeds of $40.25 million.
- Revenue in the Company's Embedded Antennas Group and Wireless Infrastructure Group have continued to increase further diversifying the Company's revenue base.
- Since completing the acquisition of Alga Microwave on July 11, 2018, management has been focussed on moving Advantech Wireless' operations into Alga Microwave's facility which management expects will result in cost reductions and improved manufacturing efficiencies.

Recent Developments

On October 15, 2018, Daniel Kim joined the Company in the capacity of Executive Vice President of Corporate Development. Daniel has worked in the investment industry for the past 24 years. Over the last 17 years, Daniel has been a partner, managing director, head of research, and technology analyst at a Toronto investment bank. In his previous role, Daniel launched coverage of Baylin in 2013. Brendan Wood International has regularly ranked Daniel as one of the industry's top technology analysts. Daniel's responsibilities will include research, analysis, strategic planning and investor relations.

SELECTED FINANCIAL INFORMATION

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

(in $000's except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2018	2017	2018	2017	2017
	$	$	$	$	$
Revenue	38,189	27,140	100,205	67,290	91,642
Gross Profit	16,168	8,424	39,778	21,167	28,345
Income (loss) before income taxes	(1,104)	911	(4,931)	(3,518)	(3,773)
Income tax expense	695	15	1,183	435	436
Net income (loss)	(1,799)	896	(6,114)	(3,953)	(4,209)
Basic and diluted income (loss) per share	($0.05)	$0.04	($0.16)	($0.18)	($0.17)
EBITDA	4,774	2,652	5,255	1,327	2,306
Adjusted EBITDA	7,100	3,076	11,435	3,633	4,955
Current assets	78,777	44,926	78,777	44,926	64,666
Total assets	166,903	64,244	166,903	64,244	84,882
Current liabilities	33,328	25,571	33,328	25,571	26,873
Non-current liabilities	53,926	1,636	53,926	1,636	2,183
Total liabilities	87,254	27,207	87,254	27,207	29,056

OUTLOOK

Management believes that the Company has gained access to technology through the strategic acquisitions of Advantech Wireless and Alga Microwave that will accelerate growth by broadening the Company's product offering and better positioning the Company for development of products for 5G (the fifth generation of cellular mobile communications).

Management expects to complete the transition of Advantech Wireless' operations into the Alga Microwave facility in the fourth quarter of 2018. Achieving synergies from this move will be a key focus for the Company during the remainder of 2018 and into 2019.

Management expects the introduction of new small cell and base station antennas in the fourth quarter of 2018 to be manufactured at its contract manufacturing facility in Guadalajara, Mexico.

Management expects that engineering operations will continue to accelerate in Canada for traditional DAS, small cell and base station antenna ("BSA") applications throughout the fourth quarter of 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, DAS and BSA that support wireless coverage and mobile data capacity requirements.

Advantech Wireless

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 terrestrial 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.
- *Microwave 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.

Alga Microwave

The Alga Microwave line of business supplies RF and microwave solid state power amplifiers, pulsed amplifiers for radar applications, transmitter and transceiver products as well as RF passive components and systems. The current product offering covers all major frequency standards, including:

- active components: L, S, C, X, Ku and Ka with frequencies that range from 2.0 to 31.0 GHz and within power spectrum of 5 to 12,000 watts; and
- passive components: 500 MHz to 100 GHz. Passive RF components include filters, diplexers, combiners/dividers – aluminum, copper, invar, that are complementary to Alga Microwave's active components and offer significant synergy when integrated within a subassembly or a subsystem.

Revenue and Gross Profit

(in $000's)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
	$	$		$	$	
Revenue	**38,189**	**27,140**	**40.7%**	**100,205**	**67,290**	**48.9%**
Cost of Revenue	22,021	18,716	17.7%	60,427	46,123	31.0%
Gross Profit	**16,168**	**8,424**	**91.9%**	**39,778**	**21,167**	**87.9%**
Gross Margin %	42.3%	31.0%	36.5%	39.7%	31.5%	26.0%

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).

b) *Fiscal 2018 compared to Fiscal 2017*

Revenue was $38.2 million in the third quarter of 2018 compared to $27.1 million in the third quarter of 2017, representing a 40.7% an increase. The increase was primarily due to strong revenue from Embedded Antenna products and Wireless Infrastructure products combined with revenue from Advantech Wireless, which was acquired in January 2018, and revenue from Alga Microwave, which was acquired in July 2018. Revenue from Wireless Infrastructure products grew by 24% and revenue from Embedded Antenna products increased by 18% compared to the third quarter of 2017. These increases were slightly offset by a 15% decrease in Asia Pacific revenue.

Revenue for the nine months ended September 30, 2018 was $100.2 million compared to $67.3 million for the nine months ended September 30, 2017, representing an increase of 48.9%. The increase was due to the reasons noted above.

Gross profit was $16.2 million in the third quarter of 2018, an increase of $7.7 million over the third quarter of 2017, and gross margin was 42.3% in the third quarter of 2018, improved by eleven percentage points compared to the third quarter of 2017 (see "Non-GAAP Measures" on page 2 of this MD&A). This improvement is a result of higher small cell and BSA sales, which generate a higher gross margin, combined with revenue from the Advantech Wireless and Alga Microwave product lines, which also generate higher gross margins.

For the nine months ended September 30, 2018, gross profit increased to $39.8 million (39.7% of revenue) from $21.2 million (31.5% of revenue) for the comparable period of the prior year. The improvement in gross margin was due to the reasons noted above.

Research and Development Expenses

(in $000's)						
	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
	$	**$**	**$**	**$**	**$**	**$**
Development Costs	3,688	2,201	1,487	10,299	7,952	2,347
Depreciation	61	190	(129)	336	616	(280)
Total	**3,749**	**2,391**	**1,358**	**10,635**	**8,568**	**2,067**
As a Percentage of Revenue	9.8%	8.8%		10.6%	12.7%	

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

b) *Fiscal 2018 compared to Fiscal 2017*

R&D expenses in the third quarter of 2018 were $3.7 million (9.8% of revenue). This represents an increase of $1.4 million from the third quarter of 2017, which reported R&D expenses of $2.4 million (8.8% of revenue).

The increase was attributable to the inclusion of Advantech Wireless' R&D expenses (acquired in January 2018) and Alga Microwave's R&D expenses (acquired in July 2018).

R&D expenses for the nine months ended September 30, 2018 were $10.6 million compared to $8.6 million for the nine months ended September 30, 2017. The increase was primarily attributable to the inclusion of Advantech Wireless' and Alga Microwave's R&D expenses.

Selling and Marketing Expenses

(in $000's)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
	$	**$**	**$**	**$**	**$**	**$**
Payrolls	2,509	962	1,547	6,594	2,866	3,728
Other	906	400	506	2,825	1,099	1,726
Total	**3,414**	**1,362**	**2,053**	**9,418**	**3,965**	**5,454**
As a Percentage of Revenue	8.9%	5.0%		9.4%	5.9%	

a) *Factors Affecting Selling and Marketing Expenses*

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

b) *Fiscal 2018 compared to Fiscal 2017*

The Company's selling and marketing expenses in the third quarter of 2018 were $3.4 million (8.9% of revenue), compared to $1.4 million (5.0% of revenue) in the third quarter of 2017. The increase was mainly due to the addition of Advantech Wireless' and Alga Microwave's selling and marketing expenses.

The Company's selling and marketing expenses in the nine months ended September 30, 2018 increased from $4.0 million in the nine months ended September 30, 2017 to $9.4 million. 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' and Alga Microwave's selling and marketing expenses in the first quarter of 2018 and third quarter of 2018, respectively.

General and Administrative Expenses

(in $000's)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
	$	**$**	**$**	**$**		**$**
Payrolls & Other	3,285	914	2,371	7,884	4,644	3,240
Other	675	2,080	(1,405)	5,724	5,600	124
Depreciation	134	65	69	306	177	129
Total	**4,094**	**3,059**	**1,035**	**13,914**	**10,421**	**3,493**
As a Percentage of Revenue	10.7%	11.3%		13.9%	15.5%	

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) Fiscal 2018 compared to Fiscal 2017

The Company's G&A expenses in the third quarter of 2018 were $4.1 million (10.7% of revenue), whereas in the third quarter of 2017 these expenses were $3.1 million (11.3% of revenue). This increase was primarily due to the addition of Advantech Wireless' and Alga Microwave's G&A expenses offset by a recovery in the third quarter of 2018 of expenses incurred in the first and second quarters of 2018 from Advantech Wireless Inc.

The Company's G&A expenses in the nine months ended September 30, 2018 were $13.9 million (13.9% of revenue), an increase of $3.5 million compared to the nine months ended September 30, 2017. 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 Wireless acquisition in the first quarter of 2018, the addition of Advantech Wireless' and Alga Microwave's G&A expenses, and additional increases related to share based and other compensation not incurred in the prior year period offset by the recovery of expenses noted above.

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 September 30,**		**Nine Months Ended September 30,**	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Operating income (loss)	**3,705**	**1,612**	**2,179**	**(1,787)**
Amortization and depreciation	1,069	1,040	3,076	3,114
EBITDA	**4,774**	**2,652**	**5,255**	**1,327**
Acquisition expenses, consulting fees and other one-time costs	2,326	424	6,180	2,306
Adjusted EBITDA	**7,100**	**3,076**	**11,435**	**3,633**

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 products.

b) Fiscal 2018 compared to Fiscal 2017

The Company's operating income for the three months ended September 30, 2018 was $3.7 million, compared to operating income in the third quarter of 2017 of $1.6 million.

Adjusted EBITDA in the third quarter of 2018 was $7.1 million compared to $3.1 million in the third quarter of 2017. The non-recurring items in the third quarter of 2018 amounted to $2.3 million and were comprised primarily of expenses related to the acquisition of Alga Microwave, consulting fees paid to Advantech Wireless Inc. and sundry other non-recurring items.

The Company's operating income for the nine months ended September 30, 2018 was $2.2 million, compared to an operating loss for the nine months ended September 30, 2017 of $1.8 million.

Adjusted EBITDA for the nine months ended September 30, 2018 was $11.4 million compared to $3.6 million for the nine months ended September 30, 2017. The non-recurring items in the nine months ended September 30, 2018 amounted to $6.2 million and were comprised primarily of expenses related to the acquisitions of Advantech Wireless and Alga Microwave, consulting fees paid to Advantech Wireless Inc. in cash and through the issuance of shares at closing of the Advantech Wireless acquisition and sundry other non-recurring items.

Net Income (Loss) for the period

(in $000's)				
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Loss before taxes	(1,104)	911	(4,931)	(3,518)
Income tax expense	695	15	1,183	435
Net income (loss) for the period	**(1,799)**	**896**	**(6,114)**	**(3,953)**
Basic and diluted income (loss) per share	($0.05)	$0.04	($0.16)	($0.18)

a) *Factors Affecting Net Income or Loss*

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

b) *Fiscal 2018 compared to Fiscal 2017*

The Company's net loss in the third quarter of 2018 was $1.8 million compared with a net income in the third quarter of 2017 of $0.9 million. Management considers that the net loss in the third quarter of 2018 was primarily due to the fair value adjustment of the convertible debentures in the amount of $3.8 million. On a per share basis, the third quarter of 2018 experienced a loss of ($0.05) per share, compared to income of $0.04 per share in the third quarter of 2017.

The Company's net loss for the nine months ended September 30, 2018 was $6.1 million compared with a net loss for the nine months ended September 30, 2017 of $4.0 million. Management considers that the net loss in the nine months ended September 30, 2018 was primarily due to Advantech Wireless and Alga Microwave acquisition expenses of approximately $3.6 million, consulting fees paid to Advantech Wireless Inc. in cash and through the issuance of shares at closing of the Advantech Wireless acquisition, the fair value adjustment of the convertible debentures and other non-recurring expenses, offset by increased revenue and improved gross margin in the second and third quarters of 2018 and a gain on derecognition of a subsidiary. On a per share basis, the nine months ended September 30, 2018 experienced a loss of ($0.16) per share, compared to a loss of ($0.18) per share in nine months ended September 30, 2017.

Use of Proceeds Reconciliation

July 2018 Offering

On July 10, 2018, the Company completed a bought deal public offering of 7,419,355 subscription receipts ("Subscription Receipts") and $17.25 million principal amount of 6.5% extendible convertible unsecured debentures ("Debentures") for aggregate gross proceeds of $40.25 million (the "2018 Offering") and net proceeds of approximately $37.6 million. 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 July 3, 2018 and the estimated use of proceeds as at the date of this MD&A:

	Initial Intended Use of Proceeds ($000's)	**Current Estimated Use of Proceeds ($000's)**
Working capital	$6,000	$6,000 (3)
General corporate purposes (1)	$10,235	$10,568 (4)
Alga Microwave acquisition (2)	$21,000	$21,000 (5)
Totals	**$37,235**	**$37,568** (6)

Notes:

(1) Including expenses relating to the acquisition of Alga Microwave.
(2) On July 11, 2018, Baylin completed the acquisition of Alga Microwave.
(3) As at the date of this MD&A, the Company has spent approximately $1.9 million of the 2018 Offering net proceeds on working capital.
(4) As at the date of this MD&A, the Company has spent approximately $2.4 million of the 2018 Offering net proceeds on general corporate purposes.
(5) The Company used $21.0 million of the 2018 Offering net proceeds to satisfy the cash portion of the purchase price for the acquisition of Alga Microwave.

(6) The 2018 Offering net proceeds were higher than the estimate provided in the Company's prospectus supplement dated July 3, 2018 due to a lower fee paid to the underwriters on gross proceeds from the sale of Subscription Receipts and Debentures to certain directors and officers of the Company offset by higher expenses of the 2018 Offering than initially estimated.

SUMMARY OF QUARTERLY RESULTS

(in $000's, except per share amounts)	Three Months Ended			
	December 31, 2017	March 30, 2018	June 30, 2018	September 30, 2018
	$	$	$	$
Revenue	24,351	29,438	32,578	38,189
Gross Profit	7,178	10,562	13,048	16,168
EBITDA	979	(2,043)	2,524	4,774
Adjusted EBITDA	1,322	1,446	2,889	7,100
Net Income (Loss)	(257)	(4,607)	292	(1,799)
Basic and diluted income (loss) per share	$0.00	($0.14)	$0.01	($0.05)
Total current assets	64,666	54,752	55,500	78,777
Total assets	84,882	115,241	115,991	166,903
Total liabilities	29,056	59,009	59,107	87,254

(in $000's, except per share amounts)	Three Months Ended			
	December 31, 2016	March 30, 2017	June 30, 2017	September 30, 2017
	$	$	$	$
Revenue	19,995	19,801	20,349	27,140
Gross Profit	5,760	5,942	6,801	8,424
EBITDA	(718)	(224)	(1,101)	2,652
Adjusted EBITDA	97	151	406	3,076
Net Income (Loss)	(1,653)	(1,644)	(3,205)	896
Basic and diluted income (loss) per share	($0.09)	($0.08)	($0.15)	$0.04
Total current assets	43,031	39,968	41,478	44,926
Total assets	65,006	61,820	61,944	64,244
Total liabilities	23,576	21,961	24,493	27,207

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 September 30, 2018 and December 31, 2017 of $19.1 million and $35.2 million, respectively.

During the nine months ended September 30, 2018, the Company used $6.6 million in cash for operating activities, which included cash to fund an increase in non-cash working capital of $11.3 million. In addition, the Company used $1.8 million for interest expense and $2.4 million in cash for capital expenditures. Approximately $68.1 million in cash generated from financing activities was utilized for the Advantech and Alga acquisitions.

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 September 30, 2018, the Company's CCC was 92 days, compared to 15 days at December 31, 2017. The increase was primarily due to including Advantech Wireless with a CCC of 251 days. Management expects to decrease Advantech Wireless' CCC going forward.

During the nine months ended September 30, 2018, non-cash working capital increased by $11.3 million. Management considers that this increase was primarily due to the factors noted below.

Net trade receivables were $31.7 million as at September 30, 2018 compared to $16.1 million as at December 31, 2017. The increase was mainly due to the addition of Advantech Wireless' and Alga Microwave's trade receivables.

Inventory as at September 30, 2018 was $20.3 million, compared to $9.2 million as at December 31, 2017. The increase was attributable to the addition of Advantech Wireless' and Alga Microwave's inventory.

Trade payables and accrued liabilities at September 30, 2018 were $29.4 million compared to $22.6 million at December 31, 2017. The increase was primarily related to the addition of Advantech Wireless' and Alga Microwave's payables.

Commitments for Capital Expenditures

The Company has made commitments for capital expenditures in the amount of approximately $1.2 million as at the date of this MD&A.

Credit Facilities

As at September 30, 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 redrawn and the third tranche was repaid in the third quarter of 2018 and was not redrawn. 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 September 30, 2018, the Company had access to approximately $10.8 million of credit of which $0.4 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 available to fund working capital, capital expenditures and general corporate purposes.

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 Fund IV, LP with a principal amount of $33.0 million, an annual interest rate of 9% and a maturity date of January 17, 2023. In connection with the Loan, the Company issued warrants to acquire up to 682,500 common shares at an exercise price of $3.37 per common share, 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.

Convertible Debentures

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

The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earliest of: (i) the last business day before the Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of $3.85 per common share (the "Conversion Price"), being a ratio of approximately 260 common shares per $1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the convertible debenture indenture dated July 10, 2018 (the "Indenture").

The Debentures will not be redeemable by the Company prior to July 10, 2021 (except in certain limited circumstances following a Change of Control (as defined in the Indenture). On or after July 10, 2021, and prior to the Maturity Date, the Company may, at its option, subject to providing not more than 60 days' and not less than 30 days' prior notice, redeem the Debentures, in whole or, from time to time, in part, at par plus accrued and unpaid interest provided that the volume weighted-average trading price of the common shares on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given (the "Current Market Price") is not less than 125% of the Conversion Price. The Company may, at its option, subject to regulatory approval, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity, provided no Event of Default (as defined in the Indenture) has occurred and is continuing at such time, upon not more than 60 days' and not less than 30 days' prior written notice, by delivering that number of freely tradeable common shares obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

Upon a Change of Control of the Company, the Company may be required to repurchase the Debentures, at the option of the holder, in whole or in part, at a price equal to 101% of the principal amount of the Debentures outstanding, plus accrued interest.

The convertible debentures are classified as financial liabilities at fair value through profit or loss and are measured at fair value with changes recognized in the consolidated statement of net income (loss) and other comprehensive income (loss).

Further details of the Debentures are set out in the Indenture filed on the Company's profile at www.sedar.com.

Alga Facility

Concurrent with the closing of the Alga Microwave acquisition on July 11, 2018, Baylin acquired, through a wholly-owned subsidiary, the premises in which Alga Microwave's operations are primarily conducted (the "Alga Facility") for a purchase price of $6.2 million.

The purchase price for the Alga Facility was satisfied in part by the assumption of existing debt, with the balance of the purchase price payable to the vendor one year after closing and bearing interest at 8% per annum, payable quarterly, and repayable at any time without penalty. The Company repaid the amount owing to the vendor on September 12, 2018.

The existing debt, assumed by the Company, due to a Canadian chartered bank, had a principal amount of $3.0 million at the closing of the acquisition of the Alga Facility, bears interest at 3.24% and matures on December 19, 2018. Blended payments of principal and interest are payable in the amount of $21,518 monthly.

The Company and certain of its subsidiaries are guarantors of the loan and granted and pledged certain security in favour of the lender including the Alga Facility. The loan agreement contains certain covenants that the Company must comply with. The loan agreement also includes other customary covenants and events of default. The Company is in compliance with all of the covenants under the loan agreement as at the date of this MD&A.

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 September 30, 2018, amounts restricted from distribution, which constitute 10% of Galtronics China's retained earnings, amounted to approximately $0.8 million.

Known contractual obligations as at September 30, 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	3,305	-	-	-	33,000	-	36,305
Convertible Debentures	-	-	-	-	17,250	-	17,250
Trade and other payables	29,402	1,250	-	-	-	-	30,652
Operating lease commitments	1,814	1,272	649	562	568	1,133	5,998
Total	**34,521**	**2,522**	**649**	**562**	**50,818**	**1,133**	**90,205**

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.

The vendors of Alga Microwave may be entitled to additional compensation up to $2 million conditional on Alga Microwave meeting certain performance targets in 2018 and each of 2019 and 2020.

COMMITMENTS

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 September 30, 2018 were as follows:

(in $000's, except per share amounts)	
	$
Year 1:	1,814
Year 2 to 5:	3,051
Year 6 onwards:	1,133
Total expenses	**5,998**

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 over three to five years with an equal number of common shares vesting on each anniversary of the grant date, and (iii) the expiry date, generally being no more than seven years after the grant date.

The table below summarizes grants made under the Stock Option Plan as at September 30, 2018:

Stock option grant date	Stock options granted	Exercise Price	Option expiry date	Options vested as at: September 30, 2018	December 31, 2017
August 24, 2015	925,000	$1.51	August 24, 2020	925,000	925,000
March 30, 2017	685,000	$1.98	March 30, 2022	228,333	-
August 8, 2017	500,000	$2.00	August 8, 2022	166,667	-
March 10, 2018	30,000	$3.51	January 8, 2023	-	-
May 17, 2018	280,000	$3.34	May 17, 2023	-	-
May 22, 2018	25,000	$3.34	May 22, 2023	-	-
July 11, 2018	197,500	$3.50	July 11, 2023	-	-

The Company recognized a stock option expense in the nine months ended September 30, 2018 of $0.7 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 may be settled subsequent to a director ceasing to be a director of the Company and its subsidiaries: (i) in common shares purchased by the Company on the open market for delivery to the director; (ii) in cash; or (iii) any combination of the foregoing. The number of DSUs issuable is limited to 500,000 units.

The Company recognized a DSU expense of $0.1 million in the nine months ended September 30, 2018, which was included in G&A expense.

The following table lists the number of DSUs outstanding as at September 30, 2018 and the number issued during the three months ended September 30, 2018:

	Number of DSU	Weighted average price in CAD
DSU outstanding as of January 1, 2017	302,422	$2.20
DSU granted during 2018	39,876	$3.60
DSU outstanding as of September 30, 2018	342,298	$2.37

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 Participant a number of shares equal to each Participant's annual share purchase commitment. A total of 83,968 common shares were acquired for an aggregate purchase price of $0.3 million to fulfill the Company's obligations under the ESPP. The Company recognized $0.1 million in general and administrative expenses for the nine months ended September 30, 2018 with regards to the ESPP.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements consist of the Credit Facilities 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 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. The agreement has been renewed for one year terms on each of January 1, 2016, January 1, 2017 and most recently on January 1, 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 MD&A, the Company has paid $113,000 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 pursuant to an asset purchase agreement dated January 17, 2018 (the "Advantech Purchase Agreement"). Advantech Wireless Inc. is owned and controlled by David Gelerman, a director of the Company.

Pursuant to the terms of the Advantech Purchase Agreement, 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 Advantech Wireless 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 Wireless Inc. 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.

Subsequent to the end of the quarter ended September 30, 2018, the Company received a payment from the escrow agent of approximately $1.8 million as a result of an indemnity claim made by the Company against the portion of the cash purchase price being held in escrow pursuant to the terms of the Advantech Purchase Agreement. Such amount, which was a receivable at September 30, 2018, was included as an offset against G&A expenses for the third quarter of 2018. Certain other indemnity claims have been asserted by the Company to the escrow agent, which claims remain subject to ongoing discussions between the Company and Advantech Wireless Inc.

During the nine months ended September 30, 2018, Advantech Wireless Inc. and certain of its affiliates acted as agent for the Company through cash collections of $8.6 million and cash payments of $7.5 million on the Company's behalf. As at September 30, 2018, $0.4 million due to the Company was included in trade receivables and $0.1 million due to the agent was included in accounts payable and accrued liabilities.

For the nine months ended September 30, 2018, less than $0.2 million was recognized in cost of sales and $0.1 million in general and administrative expenses for premises subleased from Advantech Wireless Inc. and certain of its affiliates.

During the period from closing of the Advantech Wireless acquisition to September 30, 2018, the Company provided services to Advantech Wireless Inc. and certain of its affiliates in the amount of $0.2 million. As of September 30, 2018, less than $0.1 million was included within trade receivables.

Certain directors and officers of the Company, directly and indirectly, purchased an aggregate of 3,791,724 Subscription Receipts and $8.69 million principal amount of Debentures pursuant to the 2018 Offering.

Short-term benefits, pension and post-retirement benefits of the executive officers of the Company amounted to $4.2 million. These amounts comprise of executive officers' salary and benefits earned during the year, plus bonuses awarded for the year. The amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the current year of service.

The Company leases premises to a company owned by Michael Perelshtein and Frank Panarello, employees of Alga Microwave Inc. For the nine months ended September 30, 2018, the Company recognized revenue of $0.1 million related to this lease.

In connection with the acquisition of Alga Microwave, Michael Perelshtein and Frank Panarello, employees of Alga Microwave, may be entitled to additional compensation of up to $2 million conditional on the Alga Microwave business meeting certain performance targets in 2018 and each of 2019 and 2020.

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. Management bases its 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, the Company's financial condition and results of operations may be materially impacted.

The Company's 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. There was no indication of an impairment of any fixed assets as at September 30, 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.

The vendors of Alga Microwave may be entitled to additional compensation up to $2 million conditional on Alga Microwave meeting certain performance targets in 2018 and each of 2019 and 2020. 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 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.

Stock-based Payments, Warrants and Deferred Share Units

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

Income Taxes

Management believes that it has 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.

Business Combinations

Management applies IFRS 3, Business Combinations, to account for business acquisitions. Significant judgment is required in identifying and determining the fair value of assets and liabilities acquired, including assets and residual goodwill, if any. As at September 30, 2018, the final purchase price allocations for the business combinations disclosed in Note 6 of the Interim Financial Statements were not complete as further information was required. Provisional amounts are reported and disclosed in Note 6 of the Interim Financial Statements. New information obtained during the measurement period may result in an adjustment to some or all of the provisional amounts.

Vendors Compensation

As disclosed in Note 6 of the Interim Financial Statements, Advantech Wireless Inc. may be entitled to additional compensation between $750 and $3,000 conditional on Advantech meeting certain performance targets in each of 2018 and 2019.

Further, as disclosed in Note 6 of the Interim Financial Statements, the vendors of Alga Microwave Inc. may be entitled to receive additional compensation of up to $2,000 conditional on Alga meeting certain performance targets in 2018 and each of 2019 and 2020. The Company's liability for the additional compensation to Advantech Wireless Inc. and to the vendors of Alga Microwave Inc. is carried at fair value. Management uses current and historical operational results, estimates and probabilities of future earnings and discounted cash flows to estimate the additional compensation. Significant judgement and estimation was applied in arriving at the discount rate used to determine the fair value of the time based 385,802 share release portion of the consulting agreement as disclosed in Note 6 of the Interim Financial Statements. Changes in these estimates may affect the carrying values of the Company's liability and the related gain or loss in the statement of loss and comprehensive loss as reported under finance expense, net.

Legal Liabilities

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

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, the Company is 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.

Management's objective in managing currency risk is to minimize exposure to currencies other than functional currency. The Company's 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 Company recognized an aggregate of 35% and 49% of revenue, directly and indirectly, from its largest customer and its subcontractors for the 3 months ended September 30, 2018 and September 30, 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 October 31, 2018, 39,976,429 common shares were issued and outstanding.

On January 17, 2018, the Company issued 308,642 common shares to the vendors of Advantech Wireless at a deemed price of $3.24 per common share, in partial satisfaction of the purchase price for the Advantech Wireless acquisition.

On July 10, 2018, the Company closed its 2018 Offering of 7,419,355 Subscription Receipts and $17.25 million principal amount of Debentures. On July 11, 2018, upon satisfaction of certain escrow release conditions, each Subscription Receipt was converted into one common share. The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earliest of: (i) the last business day before the Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of $3.85 per common share, being a ratio of approximately 260 common shares per $1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the Indenture.

On July 11, 2018, the Company issued 1,176,470 common shares to the vendors of Alga Microwave at a deemed price of $3.40 per common share, in partial satisfaction of the purchase price for the Alga Microwave acquisition.

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 2,642,500 common shares were outstanding and options to purchase up to an additional 1,355,143 common shares are available for grant under the Stock Option Plan.

As at the date of this MD&A, warrants to purchase up to 682,500 common shares are outstanding.

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 September 30, 2018.

No significant changes in the Company's internal controls over financial reporting occurred during the three months ended September 30, 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 September 30, 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 and the Company's prospectus supplement dated July 3, 2018 to a short form base shelf prospectus dated November 16, 2017, all of which are available on SEDAR at www.sedar.com.