BAYLIN TECHNOLOGIES

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Twelve Months Ended December 31, 2020

Dated March 10, 2021

Baylin Technologies Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three and Twelve Months Ended December 31, 2020

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 March 10, 2021. This MD&A should be read in conjunction with the audited consolidated financial statements of Baylin and related notes thereto for the years ended December 31, 2020 ("fiscal 2020") and December 31, 2019 ("fiscal 2019") (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 March 10, 2021, unless otherwise stated.

Additional information relating to the Company, including the most recent Annual Information Form, may be found under the Company's profile on SEDAR at www.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 includes forward-looking information and forward-looking statements (together, "forward-looking statements") within the meaning of applicable securities laws. They are not statements of historical fact. Rather, they are disclosure regarding conditions, developments, events or financial performance that we expect or anticipate may or will occur in the future, including, among other things, information or statements concerning our objectives and strategies to achieve those objectives, statements with respect to management's beliefs, estimates, intentions and plans, and statements concerning anticipated future circumstances, events, expectations, operations, performance or results. Forward-looking statements can be identified generally by the use of forward looking terminology, such as "anticipate", "believe", "could", "should", "would", "estimate", "expect", "forecast", "indicate", "intend", "likely", "may", "outlook", "plan", "potential", "project", "seek", "target", "trend" or "will" or the negative or other variations of these words or other comparable words or phrases and is intended to identify forward-looking statements, although not all forward-looking statements contain these words.

The forward-looking statements in this MD&A include statements regarding the outlook for our business, our financial condition and results of operations, as well as available liquidity. Forward-looking statements are based on various assumptions and estimates made by us in light of the experience and perception of historical trends, current conditions, expected future developments, including projected growth in sales of passive and active radio frequency and terrestrial microwave products and services, and other factors we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such assumptions and estimates will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the risk factors discussed in the Company's Annual Information Form dated March 10, 2021 which is available under the Company's profile on SEDAR at www.sedar.com. All the forward-looking statements in this MD&A are qualified by the cautionary statements and other cautionary statements or factors in this MD&A. There can be no assurance that the actual results or developments will be realized or, even if substantially realized, will have the expected consequences to, or effects on, the Company. Unless required by applicable law, the Company does not intend and does not assume any obligation to update these forward-looking statements.

NON-GAAP MEASURES

This MD&A includes a number of 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. "Net cash", which refers to cash and cash equivalents minus revolving bank indebtedness;
ii. "Working capital", which refers to current assets minus current liabilities;
iii. "Non-cash working capital", which refers to working capital minus net cash;
iv. "Cash conversion cycle", which refers to the following in the prior quarter:
    1) days sales outstanding, plus:
    2) days of inventory outstanding, less:
    3) days payables outstanding;
v. "Gross margin", which refers to gross profit divided by revenue;
vi. "EBITDA", which refers to operating income (loss) plus depreciation and amortization;
vii. "Adjusted EBITDA", which refers to EBITDA plus the sum of the following:
    a) Acquisition expenses, fair value step up of inventory acquired as part of an acquisition, expenses for litigation relating to acquisition agreements, expenses relating to planned restructuring post an acquisition, impairment on fixed and intangible assets (including goodwill) post an acquisition;
    b) Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions;
    c) Expenses relating to corporate re-organization; and,
    d) Non-cash compensation.

    Management believes that "Adjusted EBITDA" provides useful information to investors in order to compare companies across and within an industry. Management uses this non-GAAP measure to assist in evaluating productivity, efficiency, return on capital and forecasting operating performance.

OVERVIEW

Background

Baylin is a leading diversified global wireless technology company. Baylin focuses on research, design, development, manufacturing and sales of passive and active radio frequency ("RF") products, terrestrial microwave products, and services. The Company's products are marketed and sold under the brand names Galtronics, Advantech Wireless, Alga Microwave and Mitec VSAT, and the company's operations are conducted through subsidiaries.

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.

The Advantech Wireless line of business, acquired by Baylin in January 2018, designs and manufactures RF and microwave products for wireless communications markets, and for commercial, critical infrastructure, government and military clients.

The Alga Microwave line of business (including Mitec VSAT), acquired by Baylin in July 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.

Key Highlights

Key highlights for the twelve months ended December 31, 2020 include the following:

- Revenue was $119.7 million in fiscal 2020, a decrease of $33.6 million or 21.9% compared to fiscal 2019.
- Continued reduction in operating expenses. Operating expenses (excluding goodwill impairment) in fiscal 2020 decreased by $13.5 million compared to fiscal 2019.
- Adjusted EBITDA was $6.4 million in fiscal 2020 compared to $13.8 million in fiscal 2019 (see "Non-GAAP Measures" on page 2 of this MD&A).

- Completed a $5 million private placement financing of 6.67 million units comprised of one common share and one-half of a common share purchase warrant. The net proceeds were used to repay outstanding debt and for general working capital purposes.
- Net cash as at December 31, 2020 decreased by 2.0 million from December 31, 2019 due to ongoing capital expenditures to complete the new facility in Vietnam, principal and interest payments and cash taxes, offset by a decrease in non-cash working capital (see “Non-GAAP Measures” on page 2 of this MD&A) and proceeds from the private placement.

Key highlights for the three months ended December 31, 2020 include the following:

- Revenue was $25.6 million in the fourth quarter of 2020, a decrease of $4.4 million or 14.8% compared to the fourth quarter of 2019.
- Net cash as at December 31, 2020 decreased by $0.3 million from September 30, 2020 mainly due to capital expenditures, principal and interest payments, cash taxes, an increase in non-cash working capital and repayment of a portion of the Revolving Facility, offset by proceeds from the private placement. The Term Loan and Revolving Facility were reduced by $3.9 million in the fourth quarter of 2020.

Recent Developments

The coronavirus (COVID-19) pandemic had a significant impact on revenue, sales mix and margins in 2020. Although Asia Pacific sales volumes increased in the third quarter of 2020, surpassing expectations, and fourth quarter revenue was somewhat ahead of each of the first and second quarters of 2020, new lockdown measures in North America and Europe resulted in lower Asia Pacific revenue in the fourth quarter of 2020 compared to the third quarter. Infrastructure revenue was impacted throughout 2020 by delays in small cell deployments due to site approval delays caused by municipality shutdowns and slower than expected services. Additionally, the 10-month delay in completion of the 5G C-band spectrum auction (conducted by the U.S. Federal Communications Commission) impacted both Infrastructure and Satcom revenue. We continued to experience delays in the completion of the Massive MIMO (MMU) factory in Vietnam. Nevertheless, we expect final commissioning to be completed in the second quarter of 2021, which could put us in a position to commence production in the second half of 2021.

The cost reduction initiatives which were implemented in 2020 have resulted in a reduction of annualized expenses of approximately $20 million. In the fourth quarter of 2020, operating expenses were $3.8 million lower than the fourth quarter of 2019.

SELECTED FINANCIAL INFORMATION

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

(in $000's except per share amounts)

	Twelve Months Ended December 31,		
	2020	**2019**	**2018**
	$	**$**	**$**
Revenue	119,739	153,323	136,214
Gross profit	35,401	54,939	50,841
Loss before income taxes (including goodwill impairment: 2020 - $3,000; 2019 - $12,693)	(17,811)	(18,601)	(10,624)
Income tax (recovery) expense	(887)	1,013	(5,180)
Net loss (including goodwill impairment: 2020 - $3,000; 2019 - $12,693)	(16,924)	(19,614)	(5,444)
Basic and diluted net loss per share	($0.42)	($0.49)	($0.13)
EBITDA	-	(3,853)	2,733
Adjusted EBITDA (2018 & 2019: revised to include non-cash compensation)	6,350	13,801	17,817
Current assets	58,021	64,293	79,937
Total assets	133,473	147,557	170,517
Current liabilities	36,470	36,848	35,077
Non-current liabilities	48,140	51,828	53,613
Total liabilities	84,610	88,676	88,690

OUTLOOK

Although COVID-19 is continuing to have an impact on our financial results in the first quarter of 2021, which we expect will result in a comparable quarter to the fourth quarter of 2020, we nevertheless remain optimistic that financial results will improve in 2021.

The outlook for the Wireless Infrastructure business line for 2021 has improved significantly for several reasons:

1) Completion of the 5G spectrum auction in December 2020, which will spur new investments across our carrier partners;
2) Several projects delayed in 2020 are now scheduled for 2021;
3) New carrier supplier status wins for small cells for which revenue is expected to commence in the first quarter of 2021; and,
4) BSA wins with a tier one North American carrier.

The outlook for the Asia Pacific business line for 2021 has also improved due to pent up demand across numerous consumer segments resulting from the COVID-19 lockdowns in North America and Europe in 2020. Furthermore, Asia Pacific has secured additional key model wins with its key customers and likewise has aggressively pushed into other product segments such as wearables, tablets and laptops.

The Embedded Antenna business line is expected to continue to perform well in 2021 with gross margin expected to improve in the first quarter of 2021 due to a capital investment which will automate a portion of the manufacturing process of one of its highest volume products. The increase in consumer demand for Wi-Fi 6 products, coupled with recent large platform wins in this market, have this business expecting growth for 2021. Furthermore, we have moved into the automotive antenna market, resulting in two long-term automotive contracts that are expected to start in mid-2021.

The Satcom business line has seen a significant increase in military proposals and contract wins to new and existing customers for large opportunities that are expected to commence shipments in early 2021. The launch of our new Summit Series II solid state power amplifier has achieved early success with a key customer win, and our first system is on track to be delivered in the first quarter of 2021, with other awards expected to be delivered soon afterwards. We believe that there is no other platform in the market that can deliver the capabilities of our Summit Series II and that it will open up multi-million dollar opportunities in both our traditional GEO domain and the rapidly emerging LEO constellations.

DISCUSSION OF OPERATIONS

Description of Operations

<u>*Galtronics*</u>

The Galtronics line of business is comprised of three interrelated antenna product lines: (a) Asia Pacific; (b) Embedded Antenna; and, (c) Wireless Infrastructure (Small Cell/DAS/BSA).

a) The Asia Pacific Group works with original equipment manufacturer (“OEM”) customers to design and produce antennas for mobile phones, smartphones and tablets. Asia Pacific volumes are produced at the Company’s plant in Vietnam, taking advantage of a lower cost structure.
b) The Embedded Antenna 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. Embedded Antenna volumes are produced at the Company’s plant in China.
c) 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. Wireless Infrastructure volumes are produced at the Company’s plant in China.

<u>*Satcom*</u>

The Satcom line of business is comprised of two interrelated antenna product lines: (a) Advantech Wireless; and, (b) Alga Microwave.

a) The Advantech Wireless line of business represents over 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 (solid state power amplifiers, solid state power blocks and block up converters); (ii) Gallium arsenide 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.

b) 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)

	Twelve Months Ended December 31,				
	2020	**2019**	**2018**	**Change 2019 to 2020**	**Change 2018 to 2019**
	$	**$**	**$**	**%**	**%**
Revenue	**119,739**	**153,323**	**136,214**	**(21.9%)**	**12.6%**
Cost of sales	84,338	98,384	85,373	(14.3%)	15.2%
Gross profit	**35,401**	**54,939**	**50,841**	**(35.6%)**	**8.1%**
Gross margin	29.6%	35.8%	37.3%		

a) Factors affecting Revenue and Gross Profit

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

The Company manufactures and sells a variety of components, including antenna products, such as antennas for 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 customers' product launches, their project deployment plans, and network expansion investment levels by carriers and independent providers.

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

b) Fiscal 2020 compared to Fiscal 2019

The Company's revenue was $119.7 million in fiscal 2020 compared to $153.3 million in fiscal 2019, representing a decrease of $33.6 million or 21.9%. In the first and second quarters of 2019, Asia Pacific was awarded several "one-time" platforms from a major customer that were not expected to be repeated in 2020. Taking that into consideration, the vast majority of the remaining revenue shortfall in fiscal 2020 was due to the COVID-19 pandemic.

The Company's gross profit was $35.4 million in fiscal 2020 compared to $54.9 million in fiscal 2019. Gross margin was 29.6% in fiscal 2020 compared to 35.8% in fiscal 2019. Gross margin was negatively impacted in fiscal 2020 by the overall decrease of sales volumes across the Company's business lines and by product mix.

Selling and Marketing Expenses

(in $000's)

	Twelve Months Ended December 31,				
	2020	**2019**	**2018**	**Change 2019 to 2020**	**Change 2018 to 2019**
	$	**$**	**$**	**%**	**%**
Payrolls	6,407	9,038	9,126	(29.1%)	(1.0%)
Other	2,912	5,785	4,383	(49.7%)	32.0%
Total	**9,319**	**14,823**	**13,509**	**(37.1%)**	**9.7%**
As a percentage of revenue	7.8%	9.7%	9.9%		

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 2020 compared to Fiscal 2019*

The Company's selling and marketing expenses in fiscal 2020 were $9.3 million (7.8% of revenue) compared to $14.8 million (9.7% of revenue) in fiscal 2019. The decrease was primarily due to lower travel expenditures incurred in fiscal 2020 as a result of the Company's imposed travel restrictions, lower sales commissions, the impact of the cost reduction measures implemented in the third and fourth quarters of 2019 and the first half of 2020 as well as government stimulus received in fiscal 2020 relating to COVID-19 relief including reduced corporate social insurance premiums in China, forgivable government loans in the United States under the Paycheck Protection Program, and wage subsidies in Canada under the Canada Emergency Wage Subsidy.

Research and Development Expenses

(in $000's)

	Twelve Months Ended December 31,				
	2020	**2019**	**2018**	**Change 2019 to 2020**	**Change 2018 to 2019**
	$	**$**	**$**	**%**	**%**
Development costs	12,896	16,405	14,958	(21.4%)	9.7%
Depreciation	376	398	405	(5.5%)	(1.7%)
Total	**13,272**	**16,803**	**15,363**	**(21.0%)**	**9.4%**
As a percentage of revenue	11.1%	11.0%	11.3%		

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 the product for use in their applications. Management is often required to anticipate which product designs will generate demand in advance of its customers expressly indicating a need for that particular design. Even if the Company's customers' system designers ultimately select our products, a substantial period of time may elapse before the Company generates revenue relative to the possibly significant expenses it has initially incurred.

b) *Fiscal 2020 compared to Fiscal 2019*

The Company's R&D expenses in fiscal 2020 were $13.3 million (11.1% of revenue) compared to $16.8 million (11.0% of revenue) in fiscal 2019. The decrease was primarily attributable to the impact of the cost reduction measures implemented in the third and fourth quarters of 2019 and the first half of 2020, as well as government stimulus received in fiscal 2020 relating to COVID-19 relief.

General and Administrative Expenses

(in $000's)

	Twelve Months Ended December 31,				
	2020	**2019**	**2018**	**Change 2019 to 2020**	**Change 2018 to 2019**
	$	**$**	**$**	**%**	**%**
Payrolls	8,669	11,778	10,399	(26.4%)	13.3%
Other	5,464	6,405	8,247	(14.7%)	(22.3%)
Depreciation	2,545	2,143	473	18.8%	353.1%
Amortization	5,211	5,399	4,749	(3.5%)	13.7%
Total	**21,889**	**25,725**	**23,868**	**(14.9%)**	**7.8%**
As a percentage of revenue	18.3%	16.8%	17.5%		

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, professional fees, insurance, other corporate expenses and amortization of intangibles.

b) *Fiscal 2020 compared to Fiscal 2019*

The Company's G&A expenses in fiscal 2020 were $21.9 million (18.3% of revenue) compared to $25.7 million (16.8% of revenue) in fiscal 2019. The decrease was primarily attributable to the impact of the cost reduction measures implemented in the third and fourth quarters of 2019 and the first half of 2020, as well as government stimulus received in fiscal 2020 relating to COVID-19 relief.

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). EBITDA and Adjusted EBITDA are reconciled as follows:

Reconciliation to Operating Loss

(in $000's)

	Twelve Months Ended December 31,				
	2020	**2019**	**2018**	**Change 2019 to 2020**	**Change 2018 to 2019**
	$	**$**	**$**	**%**	**%**
Operating loss	**(12,174)**	**(15,825)**	**(6,217)**	**(23.1%)**	**154.5%**
Depreciation and amortization	12,174	11,972	8,950	1.7%	33.8%
EBITDA	**-**	**(3,853)**	**2,733**	**(100.0%)**	**(241.0%)**
Adjustments to EBITDA	6,350	17,654	15,084	(64.0%)	17.0%
Adjusted EBITDA (2018 & 2019: revised to include non-cash compensation)	**6,350**	**13,801**	**17,817**	**(54.0%)**	**(22.5%)**

Adjustments to EBITDA

(in $000's)

	Twelve Months Ended December 31,				
	2020	**2019**	**2018**	**Change 2019 to 2020**	**Change 2018 to 2019**
	$	**$**	**$**	**%**	**%**
Acquisition expenses, fair value step up of inventory acquired as part of an acquisition, expenses for litigation relating to acquisition agreements, expenses relating to planned restructuring post an acquisition; impairment on fixed and intangible assets (including goodwill) post an acquisition	3,688	14,795	10,837	(75.1%)	36.5%
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	1,273	910	1,388	39.9%	(34.4%)
Corporate re-organization expenses	161	630	335	(74.4%)	88.1%
Non-cash compensation	1,228	1,319	2,524	(6.9%)	(47.7%)
Total	**6,350**	**17,654**	**15,084**	**(64.0%)**	**17.0%**

a) *Factors affecting Operating Loss, EBITDA and Adjusted EBITDA*

The Company's operating loss, EBITDA and Adjusted EBITDA are highly impacted by sales volumes, the mix of product sales, operating expenses and investment in R&D related to new products.

b) *Fiscal 2020 compared to Fiscal 2019*

The Company's operating loss in fiscal 2020 was $12.2 million compared to the operating loss of $15.8 million in fiscal 2019. In fiscal 2020, based on the impairment analysis performed, the Company concluded that there was an impairment to goodwill for the Satcom line of business and recorded an impairment expense of $3.0 million within operating expenses. In fiscal 2019, the Company recorded an impairment expense of $12.7 million within operating expenses.

The Company's Adjusted EBITDA in fiscal 2020 was $6.4 million compared to $13.8 million in fiscal 2019. Adjustments to EBITDA in fiscal 2020 amounting to $6.4 million are detailed in the chart above.

Net Loss

(in $000's except per share amounts)

	Twelve Months Ended December 31,				
	2020	**2019**	**2018**	**Change 2019 to 2020**	**Change 2018 to 2019**
	$	**$**	**$**	**%**	**%**
Loss before income taxes	(17,811)	(18,601)	(10,624)	(4.2%)	75.1%
Income tax (recovery) expense	(887)	1,013	(5,180)	(187.6%)	(119.6%)
Net loss	**(16,924)**	**(19,614)**	**(5,444)**	**(13.7%)**	**260.3%**
Basic and diluted net loss per share	($0.42)	($0.49)	($0.13)		

a) *Factors affecting Net Loss*

The Company's net loss is influenced by the factors noted above for operating loss and EBITDA.

b) *Fiscal 2020 compared to Fiscal 2019*

The Company's net loss in fiscal 2020 was $16.9 million compared to the net loss of $19.6 million in fiscal 2019. The net loss in fiscal 2020 was primarily due to the operating loss which included the goodwill impairment charge of $3.0 million and adjustments to EBITDA noted above, offset by a recovery of income tax. The net loss in fiscal 2019 included the goodwill impairment charge of $12.7 million. On a per share basis, fiscal 2020 generated a net loss of $0.42 per share compared to a net loss of $0.49 per share in fiscal 2019.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	Three Months Ended			
	March 31, 2020	**June 30, 2020**	**September 30, 2020**	**December 31, 2020**
	$	**$**	**$**	**$**
Revenue	26,942	30,629	36,577	25,591
Gross profit	8,599	9,678	10,399	6,725
EBITDA	(195)	1,905	2,278	(3,988)
Adjusted EBITDA	555	2,658	3,582	(445)
Net loss	(2,461)	(4,707)	(365)	(9,391)
Basic and diluted net loss per share	($0.06)	($0.12)	($0.01)	($0.23)
Current assets	64,963	68,535	67,860	58,021
Total assets	151,996	152,011	151,292	133,473
Current liabilities	63,732	45,307	48,110	36,470
Total liabilities	92,500	97,496	97,256	84,610

(in $000's except per share amounts)

	Three Months Ended			
	March 31, 2019	**June 30, 2019**	**September 30, 2019**	**December 31, 2019**
	$	**$**	**$**	**$**
Revenue	39,033	47,831	36,430	30,029
Gross profit	14,331	17,644	12,212	10,752
EBITDA	3,029	4,976	824	(12,682)
Adjusted EBITDA (2019: revised to include non-cash compensation)	4,098	6,121	1,442	2,140
Net income (loss)	(5,901)	1,654	(718)	(14,649)
Basic and diluted net income (loss) per share	($0.19)	$0.04	($0.02)	($0.36)
Current assets	78,337	84,518	77,786	64,293
Total assets	171,595	179,103	173,457	147,557
Current liabilities	44,950	53,579	50,838	36,848
Total liabilities	95,446	105,091	100,138	88,676

CAPITAL RESOURCES AND LIQUIDITY

The Company's capital resources are in part used to fund working capital (see "Non-GAAP Measures" on page 2 of this MD&A) associated with product launches, to invest in design proposals for our 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 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 (see "Non-GAAP Measures" on page 2 of this MD&A). 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.

(in $000's)

	As at December 31, 2020	As at December 31, 2019
	$	$
Cash and cash equivalents	11,205	13,974
Less: Credit from banks	(10,129)	(10,874)
Net Cash	**1,076**	**3,101**

The Company had net cash at December 31, 2020 and December 31, 2019 of $1.1 million and $3.1 million, respectively. The decrease was primarily due to capital expenditures, debt servicing and cash taxes, offset by a decrease in non-cash working capital and proceeds from the private placement.

Working capital requirements

Working capital requirements are mainly for materials, production, sales and marketing, R&D, operations and G&A expenses. Working capital requirements could increase due to increased revenue, customer payment delays, increased inventory levels to meet additional demand, and/or paying suppliers more quickly. These changes increase the CCC, which in turn reduces the overall liquidity in the business. As at December 31, 2020, the Company's CCC was 95 days, compared to 89 days as at December 31, 2019. The increase was primarily due to longer days outstanding in trade receivables and slower turnover of Wireless Infrastructure inventory in the latter portion of fiscal 2020.

During the twelve months ended December 31, 2020, non-cash working capital decreased by $4.1 million. Management considers that the decrease was primarily due to the following factors:

a) Other current assets as at December 31, 2020 were $6.8 million compared to $9.8 million as at December 31, 2019. The decrease was primarily due to lower other receivables as at December 31, 2020.

b) Inventories as at December 31, 2020 were $19.7 million compared to $21.1 million as at December 31, 2019. The decrease was mainly attributable to faster turnover of Satcom inventory in the latter portion of fiscal 2020.

c) Trade payables and accrued liabilities as at December 31, 2020 were $21.2 million compared to $20.3 million as at December 31, 2019. The increase was mainly due to extensions in days payable outstanding in the latter portion of fiscal 2020.

d) Trade receivables as at December 31, 2020 were $20.3 million compared to $19.4 million as at December 31, 2019. The increase was primarily attributable to higher sales volumes of Asia Pacific products in the latter portion of fiscal 2020.

Commitments for capital expenditures

As at December 31, 2020, the Company had made commitments to purchase approximately $1.3 million of equipment for the Massive MIMO factory in Vietnam, and approximately $0.4 million of equipment for all the other subsidiaries.

Credit from banks

As at December 31, 2020, the Company had revolving credit facilities with banks domiciled in Canada, China and South Korea (collectively, the "Credit Facilities"). The bank credit in China has a staggered renewal schedule, with each of its three tranches renewable in April, May and June of every year. The Credit Facilities bear interest at annual interest rates in the range of approximately 3.6%~7.0% and are collateralized (depending on the loan) by trade receivables, inventory, an irrevocable letter of credit issued by Baylin to the lender in South Korea, property, plant and equipment, and shares of subsidiaries. As at December 31, 2020, the Company's aggregate Credit Facilities were $22.0 million of which $10.1 million was drawn and utilized.

On March 29, 2019, the Company entered into a credit agreement (the "Credit Agreement") with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") pursuant to which the Lenders established a revolving credit facility (the "Revolving Facility") in favour of the Company for up to $20 million. As at December 31, 2020, $6.6 million was outstanding under the Revolving Facility and $10.9 million was outstanding as at December 31, 2019. The availability of the Revolving Facility is based on the Company's accounts receivables and inventory balances. The interest rate on the Revolving Facility is determined based on the type of advance, the applicable margin and the Company's senior debt to EBITDA ratio and is payable monthly in arrears, as set out in the Credit Agreement. The

Revolving Facility matures on March 29, 2022. Certain of the Company's subsidiaries are guarantors of the Revolving Facility. The Revolving Facility is secured by substantially all the assets of the Company and the guarantors. The Credit Agreement contains certain financial covenants including a fixed charge coverage ratio and senior debt to EBITDA ratio (as defined in the Credit Agreement) calculated at the end of each quarter. The Credit Agreement also includes other customary covenants and events of default.

On June 8, 2020, the Company and the Lenders agreed to make certain amendments to the Credit Agreement (the "First Amendment"), including amendments to the fixed charge coverage ratio and senior debt to EBITDA ratio calculated at the end of each quarter, adding a minimum Adjusted EBITDA covenant for the trailing twelve months ending June 30, 2020, adding a minimum liquidity covenant until December 31, 2020, a reduction of $2.0 million to the Revolving Facility, an increase of 0.5% in the rate of interest that would otherwise apply at any time the senior debt to EBITDA Ratio is more than 2.75:1.00 and an increase of 0.1% in the standby fee that would otherwise apply at any time the senior debt to EBITDA ratio is more than 2.75:1.00. The Company recorded within finance expense $0.1 million loss on modification of debt related to the First Amendment. The Lenders waived compliance with the financial covenants as at March 31, 2020.

On December 2, 2020, the Company and the Lenders agreed to make certain amendments to the Credit Agreement (the "Second Amendment"), including amendments to the definition of fixed charge coverage ratio, the senior debt to EBITDA ratio calculated at the end of each quarter, adding a minimum Adjusted EBITDA covenant for the trailing twelve months ending December 31, 2020, and extending the minimum liquidity covenant until September 30, 2021.

As at December 31, 2020, the interest rate on the Revolving Facility was 6.00% on United States Dollar advances, 4.70% on Canadian Dollar advances and 3.40% on LIBO Rate advances. As at December 31, 2020, the standby fee on the undrawn portion of the Revolving Facility was 0.65% per annum.

As at the date of this MD&A, the Company is in compliance with all applicable financial covenants under the Credit Agreement.

Long-term debt

On January 17, 2018, in connection with the Advantech Acquisition, the Company entered into a term loan ("Loan") with Crown Capital Fund IV, LP ("Crown Capital") with a principal amount of $33.0 million, an annual interest rate of 9.0% and a maturity date of January 17, 2023. In connection with the Loan, the Company issued warrants to acquire 682,500 common shares at an exercise price of $3.37 per common share, expiring on January 17, 2023.

On March 29, 2019, the Company prepaid the Loan, thus extinguishing the debt, using funds advanced under the Term Loan (as defined below) and the Revolving Facility. The Company paid Crown Capital Fund IV, LP a prepayment fee of $0.99 million and expensed the unamortized debt issuance costs in the amount of $2.8 million which were included in finance expense.

On March 29, 2019, in connection with the Revolving Facility and pursuant to the Credit Agreement, the Lenders also established a term credit facility ("Term Loan") in favour of the Company for up to $26.7 million. The principal amount under the Term Loan was advanced in United States Dollars at closing and was used to prepay the Loan. Quarterly principal payments in the amount of $1.0 million commenced on June 30, 2019. The Term Loan matures on March 29, 2022. The interest rate on the Term Loan is determined based on the LIBO Rate (as defined in the Credit Agreement) plus the applicable margin and the Company's senior debt to EBITDA ratio (as detailed in the Credit Agreement) and is payable quarterly in arrears. Certain of the Company's subsidiaries are guarantors of the Term Loan. The Term Loan is secured by substantially all the assets of the Company and the guarantors. The Credit Agreement contains certain financial covenants including a fixed charge coverage ratio and senior debt to EBITDA ratio (as defined in the Credit Agreement) calculated at the end of each quarter. The Credit Agreement also includes other customary covenants and events of default.

Commencing July 26, 2019, the Company entered into an interest rate swap arrangement where the LIBO Rate portion of the interest rate on the Term Loan was fixed at 2% until maturity on March 29, 2022.

On June 8, 2020, the Company and the Lenders agreed to make certain amendments to the Credit Agreement (the "First Amendment"), including amendments to the fixed charge coverage ratio and senior debt to EBITDA ratio calculated at the end of each quarter, adding a minimum Adjusted EBITDA covenant for the trailing twelve months ending June 30, 2020, adding a minimum liquidity covenant until December 31, 2020 and an increase of 0.5% in the rate of interest that would otherwise apply at any time the senior debt to EBITDA ratio is more than 2.75:1.00. The Lenders waived compliance with the financial covenants as at March 31, 2020. The Lenders also agreed that the scheduled principal repayments on the Term Loan on June 30, 2020 and September 30, 2020 may be deferred at the Company's option. The scheduled principal repayments on the Term Loan on June 30, 2020 and September 30, 2020 were deferred.

On December 2, 2020, the Company and the Lenders agreed to make certain amendments to the Credit Agreement (the "Second Amendment"), including amendments to the definition of fixed charge coverage ratio, the senior debt to EBITDA ratio calculated at the end of each quarter, adding a minimum Adjusted EBITDA covenant for the trailing twelve months ending December 31, 2020, and extending the minimum liquidity covenant until September 30, 2021. As at December 31, 2020, the interest rate on the Term Loan was 3.47%.

As at the date of this MD&A, the Company is in compliance with all applicable financial covenants under the Credit Agreement.

On October 14, 2020, one of the Company's subsidiaries in Vietnam ("GTD") entered into a credit agreement (the "Vietnam Credit Agreement") with HSBC Bank Vietnam Ltd. ("HSBC Vietnam") pursuant to which HSBC Vietnam established a credit facility in favour of GTD for up to $3.2 million (the "Vietnam Loan"). As at December 31, 2020, no amount was outstanding under the Vietnam Loan. The interest rate on the Vietnam Loan is determined based on the base lending rate in Vietnam plus a margin of up to 2% and is payable monthly in arrears. The Vietnam Loan matures 36 months subsequent to the first drawdown. Quarterly principal repayments commence on the 13th month subsequent to the first drawdown. The Company's other Vietnamese subsidiary ("GTV") is a guarantor of the Vietnam Loan. The Vietnam Loan is secured by certain assets of GTD. The Vietnam Credit Agreement contains certain financial covenants, for both GTD and GTV, including a Debt Service Coverage Ratio and a Tangible Net Worth Ratio (as defined in the Vietnam Credit Agreement). The Vietnam Credit Agreement also includes other customary covenants and events of default.

Convertible debentures

On July 10, 2018, the Company issued $17.25 million of extendible convertible unsecured debentures (the "Debentures"). 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 Company offered holders of the Debentures the option to receive common shares as an alternative to cash as payment of interest due for the interest payment date on June 30 and December 31, 2020. Holders who exercised the option received common shares at 85% of their current market price at the relevant interest payment date.

The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earlier of: (i) the last business day before 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 are not 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 Debentures are classified as financial liabilities at fair value through profit or loss and are measured at fair value with changes recognized in the consolidated statement of net income (loss). Further details of the Debentures are set out in the Indenture filed under the Company's profile on SEDAR at www.sedar.com.

SHARE-BASED PAYMENTS

Omnibus Equity Incentive Plan

On August 13, 2020, the shareholders of the Company approved a new Omnibus Equity Incentive Plan (the “Omnibus Plan”). The Omnibus Plan permits the board of directors to grant a wide range of long-term incentive awards to participants. The awards include deferred share units (“DSUs”), which are for directors only, performance share units (“PSUs”), restricted share units (“RSUs”) and stock options. The Omnibus Plan replaced the separate Deferred Share Unit Plan (“DSU Plan”), Stock Option Plan and Employee Share Compensation Plan (“ESCP”). Awards granted after August 13, 2020 are governed by the Omnibus Plan. Awards granted before that date will continue to be governed by the plan under which they were granted. The number of common shares issuable under the Omnibus Plan, and any other security-based compensation arrangements, including the DSU Plan, Stock Option Plan and ESCP, may not exceed 10% of the number of common shares outstanding from time to time. However, the Omnibus Plan is an “evergreen plan”, meaning that any awards that are exercised or settled or terminated without being exercised or settled are available for subsequent grant and do not reduce the number of common shares available to be granted. There are also limitations on the number of common shares that may be issued to insiders.

The Company may settle DSUs, PSUs and RSUs in (i) common shares issued from treasury, (ii) common shares purchased in the market, (iii) cash or (iv) a combination of common shares and cash. Holders of stock options may exercise their options, (i) by paying the option exercise price or (ii) with the consent of the Company, through a cashless exercise or by receiving a cash payment in lieu of shares.

In the case of DSUs, unless otherwise approved by the board of directors, eligible directors must elect to receive at least 50% and up to 100% of their annual retainers in DSUs. The DSUs are issued on a monthly basis while the director serves as a board member and vest immediately. The DSUs are settled after the member ceases to be a director.

The following table lists the number of DSUs outstanding as at December 31, 2020 and December 31, 2019:

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2020	395,449	$2.51
DSUs granted during 2020	240,416	$1.08
DSUs redeemed during 2020	(52,759)	$2.10
DSUs outstanding as at December 31, 2020	583,106	$1.96

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2019	325,418	$2.43
DSUs granted during 2019	70,031	$2.91
DSUs outstanding as at December 31, 2019	395,449	$2.51

The Company recognized a DSU expense of $0.3 million during the twelve months ended December 31, 2020, which was included in G&A expenses.

Stock Option Grants

Stock options may be granted the board of directors to directors, officers, employees and consultants of the Company (or its affiliates) as performance incentives. At the time of granting a stock option, the board of directors will determine: (i) the exercise price, being not less than the market value of the common shares; (ii) the vesting provisions, generally being 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 stock option grants as at December 31, 2020:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at December 31, 2020	Options vested as at December 31, 2019	Options exercised as at December 31, 2020	Options expired as at December 31, 2020	Options surrendered as at December 31, 2020	Outstanding options as at December 31, 2020
Mar. 30, 2017	685,000	$1.98	Mar. 30, 2022	456,666	456,666	-	145,000	290,000	250,000
Aug. 8, 2017	500,000	$2.00	Aug. 8, 2022	500,000	333,333	-	-	-	500,000
Mar. 10, 2018	30,000	$3.51	Mar. 10, 2023	20,000	10,000	-	-	-	30,000
May 17, 2018	275,000	$3.34	May 17, 2023	131,666	81,666	-	43,334	21,666	210,000
May 22, 2018	25,000	$3.34	May 22, 2023	5,000	5,000	-	20,000	5,000	-
Jul. 11, 2018	197,500	$3.50	Jul. 11, 2023	72,000	39,500	-	90,400	48,600	58,500
Nov. 9, 2018	250,000	$3.84	Nov. 9, 2023	166,666	83,333	-	-	-	250,000
Mar. 25, 2019	325,000	$3.89	Mar. 25, 2024	35,000	-	-	150,000	-	175,000
May 21, 2019	270,000	$3.57	May 21, 2024	90,000	-	-	-	-	270,000
Aug. 16, 2019	60,000	$3.18	Aug. 16, 2024	20,000	-	-	-	-	60,000
Nov. 23, 2020	150,000	$0.87	Nov. 23, 2025	-	-	-	-	-	150,000
	2,767,500			1,496,998	1,009,498	-	448,734	365,266	1,953,500

The Company recognized a stock option expense of $0.6 million during the twelve months ended December 31, 2020, which was included in G&A expenses.

Common Share Grants

In February 2018, the Company issued 49,738 restricted common shares, with 50% of the common shares to vest 12 months subsequent to the date of grant and 50% to vest 24 months subsequent to the date of the grant. The Company recognized less than $0.1 million in G&A expenses for the twelve months ended December 31, 2020 and December 31, 2019, respectively.

In February 2019, the Company issued 64,863 common shares and recognized $0.3 million in G&A expenses for the twelve months ended December 31, 2019.

In March 2019, the Company issued an additional 64,263 restricted common shares, with 50% of the common shares to vest 12 months subsequent to the date of grant and 50% to vest 24 months subsequent to the date of grant. The Company recognized $0.1 million in G&A expenses for the twelve months ended December 31, 2020 and December 31, 2019, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements consist of the Credit Facilities disclosed in “Credit facilities” section of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

Private Placement

On June 30, 2020, management and directors purchased 267,566 common shares through a private placement. The common shares were all issued at $0.9259 per common share, representing 85% of the volume-weighted average price of the common shares on the Toronto Stock Exchange for the five trading days ended June 29, 2020. A portion of the proceeds were used by the Company to pay interest on the Debentures on the June 30, 2020 interest payment date. The remaining amount was used to pay interest on the Debentures on the December 31, 2020 interest payment date.

On December 15, 2020, the Company issued 6,666,700 Units at a price of $0.75 per Unit, each Unit comprised of one common share and one-half of a common share purchase warrant. 2385796 Ontario Inc., a company over which Mr. Jeffrey C. Royer, the Company’s Chairman of the Board of Directors, exercises investment control, and Mr. Randy Dewey, the Company’s President and CEO, purchased a total of 1,416,600 Units. Each whole warrant is exercisable for a period of two years from closing (subject to acceleration of the expiry date) at an exercise price of $1.05 per common share.

Advantech Wireless Inc.

In January 2018, the Company acquired the Advantech Wireless line of business (the "Advantech Acquisition") from Advantech Wireless Inc. (now known as SpaceBridge Inc. (the "Advantech Vendor")), which is owned and controlled by David Gelerman, a director of the Company until April 3, 2020.

Pursuant to the terms of the Advantech Acquisition, the Advantech Vendor was entitled to additional compensation of between $0.75 million and $3.0 million per year in each of 2018 and 2019 conditional on the Advantech Wireless business meeting certain EBITDA targets in those years. The EBITDA targets were not met in 2018 and 2019. On June 1, 2020, the Advantech Vendor contested that the 2019 EBITDA targets were not met. The Company is opposing the objection.

In connection with the Advantech Acquisition, the Advantech Vendor entered into a consulting agreement (the "Consulting Agreement") with the Company to provide consulting services payable in cash and common shares. $0.6 million was recognized in G&A expenses for the twelve months ended December 31, 2019 and no amount was recognized for the twelve months ended December 31, 2020.

The Advantech Vendor and certain of its affiliates acted as agent for the Company. As at December 31, 2020, $2.5 million due to the Company was included in trade receivables and $1.5 million due to the agent was included in accounts payable and accrued liabilities.

During the twelve months ended December 31, 2020, the Company recognized revenue of $0.2 million related to the sale of goods to the Advantech Vendor and certain of its affiliates. During the twelve months ended December 31, 2019, the Company recognized revenue of $0.3 million related to the sale of goods to the Advantech Vendor and certain of its affiliates.

During the twelve months ended December 31, 2020, the Company did not provide services to the Advantech Vendor or its affiliates but provided services in the amount of less than $0.1 million to the Advantech Vendor during the twelve months ended December 31, 2019. As at December 31, 2020 and December 31, 2019, $0.4 million was included within trade receivables related to these services.

Alga Microwave

For the twelve months ended December 31, 2020 and December 31, 2019, $0.2 million was recognized in revenue for premises leased to a company partly owned by Michael Perelshtein, an Alga Microwave employee until November 12, 2020.

Executive officer remuneration

Short-term benefits, pension and post-retirement benefits of the executive officers of the Company amounted to $5.2 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.

Other

The Company retains the services of Mr. Jeffrey C. Royer, pursuant to a services agreement between Mr. Royer and the Company dated as of January 1, 2015, to fulfill the position of Chairman of the board of directors and to provide related strategic leadership and guidance to the board of directors and management of the Company. As consideration for the services provided under the agreement, the Company agreed to pay Mr. Royer an annual fee of $150,000 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. For the twelve months ended December 31, 2020, the Company paid $25,000 to Mr. Royer under this agreement. In March 2020, Mr. Royer agreed to forego the fee for an unspecified period.

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

LEGAL PROCEEDINGS

The Company is both a plaintiff and defendant in various claims arising out of the Advantech Acquisition.

In October 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 Acquisition. The sum was released by the escrow agent because the Advantech Vendor failed to contest the indemnity claim within the prescribed time period. After the payment, the Advantech Vendor filed an application for relief from forfeiture to have the sum returned to the escrow agent. The Company is opposing the application. No date has been set to hear the application.

The Company has filed statements of claim for certain other indemnity obligations of the Advantech Vendor pursuant to the terms of the Advantech Acquisition. The claims, in the aggregate, total approximately $5.6 million. The Advantech Vendor has filed statements of defence as well as statements of counterclaim. In July 2019, the Advantech Vendor delivered multiple indemnity claims pursuant to the terms of the Advantech Acquisition seeking to set off the amounts being claimed by the Company. The Company has contested the indemnity claims.

In the second quarter of 2019, the Advantech Vendor filed an application asserting oppression for, among other things, unspecified amounts in relation to the 2018 earn out under the terms of the Advantech Acquisition and for shares in the Company for which set-off has been claimed by the Company. The Advantech Vendor alleges that Mr. Gelerman was improperly denied from participating in the management of the Company resulting in a lower earn out. The Company will defend the allegations. No date has been set for the application related to claims for compensation. The issue of whether the Company is entitled to assert set-off on the common shares was the subject of an appeal by the Company from a lower court ruling. In February 2021, the Ontario Court of Appeal found in favour of the Company, overturning the lower court’s ruling and confirming that the Company is entitled to a right of set-off on the shares.

In January 2020, the Advantech Vendor filed a statement of claim claiming damages against the Company for various breaches of the asset purchase and other agreements related to the Advantech Acquisition. These claims include the multiple indemnity claims previously made by the Advantech Vendor as well as additional claims for breach of an agreement governing transitional services provided by the Company following the Advantech Acquisitions and the Consulting Agreement. The claims include loss of business opportunities, improper use of the Advantech Vendor’s books and records, unpaid rent on premise subleased from the Advantech Vendor as part of the Advantech Acquisition, diminution in the value of Baylin common shares payable as part of the consulting fees under the Consulting Agreement and conversion of inventory after completion of the Advantech Acquisition. Where specified, the amount of damages claimed is at least $7.2 million.

In the case of the Company’s claims under the asset purchase agreement for breaches of representations related to working capital and closing inventory levels, documentary discovery is currently being conducted and oral discovery is expected to occur, once scheduled, in the first half of 2021.

In the third quarter of 2019, the former shareholders of Alga Microwave filed an application asserting that an event occurred which triggered the payment of an earnout in the amount of $1.0 million as detailed in the share purchase agreement. The Company does not agree that the payment has been triggered and has contested the application. No date has been set for the application.

The Company is unable to determine at this time whether it will be entitled to recover or required to pay any amounts related to these legal proceedings.

FOURTH QUARTER DISCUSSION

Revenue and Gross Profit

(in $000's)

	Three Months Ended December 31,		
	2020	**2019**	**Change**
	$	**$**	**%**
Revenue	**25,591**	**30,029**	**(14.8%)**
Cost of sales	18,866	19,277	(2.1%)
Gross profit	**6,725**	**10,752**	**(37.5%)**
Gross margin	26.3%	35.8%	

- *Fourth Quarter of 2020 compared to Fourth Quarter of 2019*

  The Company's revenue was $25.6 million in the fourth quarter of 2020 compared to $30.0 million in the fourth quarter of 2019, representing a decrease of $4.4 million or 14.8%. The decrease was primarily due to weaker sales for Wireless Infrastructure and Satcom product lines in the fourth quarter of 2020, somewhat offset by higher revenue from Asia Pacific products compared to the fourth quarter of 2019.

  The Company's gross profit was $6.7 million in the fourth quarter of 2020, a decrease of $4.0 million or 37.5% compared to the fourth quarter of 2019. Gross margin was 26.3% in the fourth quarter of 2020 compared to 35.8% in the fourth quarter of 2019. Gross margin was negatively impacted by product mix – Asia Pacific revenue as a percentage of total revenue was higher in the fourth quarter of 2020 compared to the prior year period.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended December 31,		
	2020	**2019**	**Change**
	$	**$**	**%**
Payrolls	1,104	2,262	(51.2%)
Other	719	1,445	(50.2%)
Total	**1,823**	**3,707**	**(50.8%)**
As a percentage of revenue	7.1%	12.3%	

- *Fourth Quarter of 2020 compared to Fourth Quarter of 2019*

  The Company's selling and marketing expenses in the fourth quarter of 2020 were $1.8 million (7.1% of revenue) compared to $3.7 million (12.3% of revenue) in the fourth quarter of 2019. The decrease was primarily due to lower travel expenditures incurred in the fourth quarter of 2020 as a result of the Company's imposed travel restrictions, lower sales commissions, as well as the impact of the cost reduction measures implemented in the third and fourth quarters of 2019 and the first half of 2020.

Research and Development Expenses

(in $000's)	**Three Months Ended December 31,**		
	2020	**2019**	**Change**
	$	**$**	**%**
Development costs	4,020	3,540	13.6%
Depreciation	99	92	7.6%
Total	**4,119**	**3,632**	**13.4%**
As a percentage of revenue	16.1%	12.1%	

- *Fourth Quarter of 2020 compared to Fourth Quarter of 2019*

  The Company's R&D expenses in the fourth quarter of 2020 were $4.1 million (16.1% of revenue) compared to $3.6 million (12.1% of revenue) in the fourth quarter of 2019. The increase was mainly attributable to the impact of the cost reduction measures implemented in the third and fourth quarters of 2019 and the first half of 2020.

General and Administrative Expenses

(in $000's)	**Three Months Ended December 31,**		
	2020	**2019**	**Change**
	$	**$**	**%**
Payrolls	1,869	2,424	(22.9%)
Other	997	1,741	(42.7%)
Depreciation	589	368	60.1%
Amortization	1,301	1,227	6.0%
Total	**4,756**	**5,760**	**(17.4%)**
As a percentage of revenue	18.6%	19.2%	

- *Fourth Quarter of 2020 compared to Fourth Quarter of 2019*

  The Company's G&A expenses in the fourth quarter of 2020 were $4.8 million (18.6% of revenue) compared to $5.8 million (19.2% of revenue) in the fourth quarter of 2019. The decrease was primarily attributable to the impact of the cost reduction measures implemented in the third and fourth quarters of 2019 and the first half of 2020, as well as government stimulus received relating to COVID-19 relief.

Reconciliation to Operating Loss

(in $000's)	**Three Months Ended December 31,**		
	2020	**2019**	**Change**
	$	**$**	**%**
Operating loss	**(6,997)**	**(15,221)**	**(54.0%)**
Depreciation and amortization	3,009	2,539	18.5%
EBITDA	**(3,988)**	**(12,682)**	**(68.6%)**
Adjustments to EBITDA	3,543	14,822	(76.1%)
Adjusted EBITDA (2019: revised to include non-cash compensation)	**(445)**	**2,140**	**(120.8%)**

Adjustments to EBITDA

(in $000's)	Three Months Ended December 31,		
	2020	**2019**	**Change**
	$	**$**	**%**
Acquisition expenses, fair value step up of inventory acquired as part of an acquisition, expenses for litigation relating to acquisition agreements, expenses relating to planned restructuring post an acquisition; impairment on fixed and intangible assets (including goodwill) post an acquisition	3,110	13,756	(77.4%)
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	187	459	(59.3%)
Corporate re-organization expenses	41	474	(91.4%)
Non-cash compensation	205	133	54.1%
Total	**3,543**	**14,822**	**(76.1%)**

- *Fourth Quarter of 2020 compared to Fourth Quarter of 2019*

  The company's operating loss in the fourth quarter of 2020 was $7.0 million compared to the operating loss of $15.2 million in the fourth quarter of 2019. In the fourth quarter of 2020, the Company concluded that there was an impairment to goodwill for the Satcom line of business and recorded an impairment expense of $3.0 million within operating expenses. In the fourth quarter of 2019, the Company recorded an impairment expense of $12.7 million within operating expenses.

  The company's Adjusted EBITDA in the fourth quarter of 2020 was -$0.4 million compared to $2.1 million in the fourth quarter of 2019. Adjustments to EBITDA in the fourth quarter of 2020 amounting to $3.5 million are detailed in the chart above.

Net Loss

(in $000's except per share amounts)	Three Months Ended December 31,		
	2020	**2019**	**Change**
	$	**$**	**%**
Loss before income taxes	(8,282)	(14,222)	(41.8%)
Income tax expense	1,109	427	159.7%
Net loss	**(9,391)**	**(14,649)**	**(35.9%)**
Basic and diluted net loss per share	($0.23)	($0.36)	

- *Fourth Quarter of 2020 compared to Fourth Quarter of 2019*

  The Company's net loss in the fourth quarter of 2020 was $9.4 million compared to the net loss of $14.6 million in the fourth quarter of 2019. The net loss in the fourth quarter of 2020 was primarily due to the operating loss which included the goodwill impairment charge of $3.0 million and adjustments to EBITDA noted above. The net loss in the fourth quarter of 2019 included the goodwill impairment charge of $12.7 million. On a per share basis, the fourth quarter of 2020 produced a net loss of $0.23 per share compared to a net loss of $0.36 per share in the fourth quarter of 2019.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates and judgements made by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Operating segments

The Company is considered to operate as one segment. In making this judgement, the Company has evaluated the business activities from which it earns revenues and incurs expenses, at which level operating results are reviewed by the chief operating decision maker and for which discrete financial information is available. The chief executive officer has been deemed the chief operating decision maker.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset exceeds its recoverable amount. In evaluating impairment, the Company determines recoverable amount based on value in use. The fair value of property plant and equipment and finite-life intangible assets is determined using the depreciated replacement cost ("DRC") approach for certain assets, and a market approach using comparable transactions for other assets. The value in use of indefinite life intangibles and goodwill are based on estimated discounted future cash flows.

Estimates used in arriving at value in use involve significant judgement of changes in market and other conditions that can affect value in use. DRC includes adjustments for obsolescence which are based in part on assumptions that are influenced by factors that are both internal and external to the Company, and therefore, changes in such factors can affect those assumptions. Discounted future cash flows include a number of estimates and assumptions surrounding assumed growth rates, number of years in discounted future cash flow models and the discount rate.

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgement.

Leases

The Company has applied judgement to determine the incremental borrowing rate and the lease term for some lease contracts in which it is a lessee that include renewal options, which significantly affects the amount of lease liability and right of use assets recognized. The Company has used the practical expedient of applying hindsight in assessing certain lease extension options. The Company has also used judgement in determining the incremental borrowing rate based on the term, security, the lessee entities economic environment, credit rating, level of indebtedness and asset specific adjustments.

Interest rate swap contracts

The Company has an interest rate swap arrangement valued at fair value through profit and loss. Judgement is applied to determine the LIBOR forward curve for the term of the interest rate swap contract.

Income taxes

The Company is subject to income taxes in all jurisdictions in which it operates. Significant judgement is required in determining the tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred tax assets are recognized for unutilized carry forward tax losses and deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Business combination

Management applies IFRS 3, Business Combinations, to account for business acquisitions. Significant judgement is required in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any.

Share-based payments

The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of stock options and warrants. The Company uses significant judgement in the determination 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.

Deferred tax assets and liabilities

The Company makes significant judgements in interpreting tax rules and regulations when calculating deferred tax assets and liabilities. Judgement is used to evaluate whether a deferred tax asset can be recovered based on our assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

Intercompany net investment

Long term receivables or loans from the Company's foreign operations may have exchange gains and losses. Judgement is required to determine if the long term loan or receivable form part of the Company's net investment in the foreign operation based on whether settlement is neither planned nor likely to occur in the foreseeable future. In this case exchange differences are recognized in other comprehensive income rather than net loss.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Going Concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account known future information.

COVID-19

The outbreak of COVID-19 and its variants has spread across the globe and is impacting worldwide economic activity. The governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and temporary closures of businesses. In addition, numerous other businesses have temporarily closed voluntarily. Such actions are creating disruption in global supply chains, increasing rates of unemployment and adversely impacting many industries.

In fiscal 2020, COVID-19 has impacted sales volumes and caused delays in the deployment of a number of products resulting in decreased revenue and margins. In fiscal 2020, the Company applied for and received government assistance in Canada, the United States of America and China. Given the dynamic nature of this outbreak, the extent to which the COVID-19 virus impacts the Company's operational results and financial performance will depend on future developments, which remain highly uncertain and cannot be accurately predicted at this time, including the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, and the direct and indirect economic effects of the pandemic and related containment measures, among others. Judgement is thus required in estimating future cash flows as there is uncertainty surrounding customer credit risk and the Company's own access to capital and liquidity.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Foreign exchange risk

A portion of the Company's transactions are denominated in currencies other than the functional currency of the respective subsidiary. As a result, the Company is exposed to currency risk on these transactions. The Company's objective in managing its currency risk is to minimize its exposure to currencies other than its functional currency. Gains and losses are primarily derived from changes in the Canadian dollar exchange rate in relation to the United States dollar.

Interest rate risk

The Company has exposure to interest rate risks on credit from banks with variable interest rate. The Company reduces its exposure to this risk by reducing debt levels and entering into interest rate swap arrangements, as disclosed in Note 16 of the Financial Statements and elsewhere in this MD&A. The Company believes that interest rate risk is low as the majority of its loans are short-term or have fixed interest rates.

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 36% and 38% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the twelve months ended December 31, 2020 and December 31, 2019, 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 typically extend 30 to 90-day credit terms to its customers and regularly monitor the credit extended to such customers and their general financial condition but do not require collateral as security for these receivables. The Company provides an allowance for expected credit losses based on the factors that affect the credit risk of certain customers, past experience and other information including the impact of COVID-19 during the year. The Company also assessed expected credit losses based on whether customers would be unable or would delay payments due to COVID-19 and determined that additional credit losses were not expected.

Liquidity risk

The Company monitors its 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 Company also regularly monitors the amounts owing to Galtronics Wuxi by other subsidiaries to ensure compliance with China's State of Administration of Foreign Exchange ("SAFE") requirements. The Company also assessed the impact of the COVID-19 pandemic and determined that were would be sales volume and project deployment delays and which would adversely affect future cash flows and liquidity.

OUTSTANDING SHARE DATA

As at the date of this MD&A, 48,081,660 common shares were issued and outstanding.

The number of common shares issuable under the Omnibus Plan and any other security-based compensation arrangements of the Company may not exceed 10% of the number of common shares outstanding from time to time, being as at the date of this MD&A 4,808,166 common shares. As at the date of this MD&A, 1,953,131 common shares are available to be issued under the Omnibus Plan.

As at the date of this MD&A, $17.25 million principal amount of the Debentures were outstanding. The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earlier of: (i) the last business day before 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.

As at the date of this MD&A, warrants to purchase up to an aggregate of 4,215,851 common shares were 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 and has certified the operating effectiveness of its internal controls as at December 31, 2020.

No significant changes in the Company's internal controls over financial reporting occurred during the twelve months ended December 31, 2020 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 December 31, 2020 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 under the Company's profile 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 March 10, 2021, which is available under the Company's profile on SEDAR at www.sedar.com.