BAYLIN TECHNOLOGIES INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2021

(Canadian dollars in thousands)

UNAUDITED

Notice of Non-Reviewed Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements of Baylin Technologies Inc. ("Baylin") for the three months ended March 31, 2021 have been prepared by management and were authorized for issue in accordance with a resolution of the board of directors on May 10, 2021. Baylin's independent auditor has not performed a review of these interim condensed consolidated financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors

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Date of approval of consolidated financial statements: May 10, 2021

"Jeffrey C. Royer"	*"Randy Dewey"*
Jeffrey C. Royer	**Randy Dewey**
Chairman of the Board of Directors	**President and Chief Executive Officer**

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

Canadian dollars in thousands

	March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 13,188	$ 11,205
Trade and other receivables	19,398	20,327
Other current assets	6,573	6,820
Inventories	22,102	19,669
	61,261	58,021
NON-CURRENT ASSETS		
Property, plant and equipment	22,348	23,658
Right of use assets	12,290	12,669
Other long-term assets	656	727
Deferred tax assets	7,022	7,126
Equity method investment	107	119
Intangibles	14,037	15,245
Goodwill	15,908	15,908
	72,368	75,452
TOTAL ASSETS	$ 133,629	$ 133,473
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Credit from banks	$ 10,730	$ 10,129
Accounts payable and accrued liabilities	22,702	21,220
Short-term portion of long-term loans	20,583	3,820
Short-term portion of lease liability	1,197	1,200
Short-term portion of other long-term liabilities	306	-
Income tax payable	129	101
	55,647	36,470
NON-CURRENT LIABILITIES		
Long-term portion of lease liability	10,785	11,180
Long-term loans	2,755	17,937
Convertible debentures	16,225	14,178
Employee benefit liabilities, net	2,265	2,314
Deferred tax liabilities	1,361	1,489
Other long-term liabilities	955	1,042
	34,346	48,140
TOTAL LIABILITIES	89,993	84,610
SHAREHOLDERS' EQUITY		
Share capital	146,207	142,160
Share-based payment reserve	3,829	4,426
Accumulated other comprehensive income	10,570	10,785
Accumulated deficit	(116,970)	(108,508)
TOTAL EQUITY	43,636	48,863
TOTAL LIABILITIES AND EQUITY	$ 133,629	$ 133,473

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (unaudited)
Canadian dollars in thousands except per share and weighted average share figures

		For the three months ended March 31, 2021	2020
Revenues	Note 14	$ 23,460	$ 26,942
Cost of sales		19,863	18,343
Gross profit		3,597	8,599
Operating expenses			
Selling and marketing expenses		2,093	2,686
Research and development expenses		3,083	3,428
General and administrative expenses		3,996	5,700
		9,172	11,814
Operating loss		(5,575)	(3,215)
Finance expense, net	Note 15	914	3,639
Investment income, net	Note 11	12	(192)
Fair value adjustments		1,943	(3,392)
Loss before income taxes		(8,444)	(3,270)
Income tax (recovery) expense		18	(809)
Net loss		$ (8,462)	$ (2,461)
Items that may be reclassified to profit or loss			
Amount arising from translation of foreign operations, net of tax		(215)	2,735
Other comprehensive income (loss) (net of tax effect)		$ (215)	$ 2,735
Total comprehensive income (loss)		$ (8,677)	$ 274
Basic and diluted net loss per share		$ (0.17)	$ (0.06)
Weighted average shares outstanding		48,755,702	40,247,047

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

Canadian dollars in thousands except number of shares outstanding

	Number of shares outstanding	Share capital	Share-based payment reserve	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance as of January 1, 2021	48,014,660	$ 142,160	$ 4,426	$ (108,508)	$ 10,785	$ 48,863
Net loss	-	-	-	(8,462)	-	(8,462)
Other comprehensive loss	-	-	-	-	(215)	(215)
Share-based payment	-	250	(597)	-	-	(347)
Share issuance	3,218,958	3,797	-	-	-	3,797
Balance as of March 31, 2021	51,233,618	$ 146,207	$ 3,829	$ (116,970)	$ 10,570	$ 43,636

	Number of shares outstanding	Share capital	Share-based payment reserve	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance as of January 1, 2020	40,231,090	$ 137,195	$ 2,715	$ (91,584)	$ 10,555	$ 58,881
Net loss	-	-	-	(2,461)	-	(2,461)
Other comprehensive income	-	-	-	-	2,735	2,735
Share-based payments	27,817	111	175	-	-	286
Employee Share Compensation Plan and Purchase Plan	-	125	(70)	-	-	55
Balance as of March 31, 2020	40,258,907	$ 137,431	$ 2,820	$ (94,045)	$ 13,290	$ 59,496

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

Baylin Technologies Inc.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

Canadian dollars in thousands

	For the three months ended March 31, 2021	2020
Cash flows from operating activities		
Net loss	$ (8,462)	$ (2,461)
Adjustments to reconcile net loss to net cash generated by (used in) operating activities		
Share-based payment	117	341
Depreciation, amortization and impairment	2,859	3,090
Finance expense, net	914	3,639
Gain from sale of property, plant and equipment	-	(198)
Share of net income of equity method investment	12	(192)
Income tax (benefit) expense	18	(809)
Fair value adjustment	1,942	(3,392)
Unrealized foreign exchange losses (gains)	(684)	2,548
	5,178	5,027
Changes in asset and liability items		
Decrease (increase) in trade receivables	860	(1,012)
Decrease in other current assets	407	1,143
Decrease (increase) in inventories	(2,521)	425
Increase in current liabilities and employee benefits	1,728	636
	474	1,192
Cash paid and received during the year for		
Interest paid, net	(378)	(626)
Taxes paid, net	(127)	(32)
	(505)	(658)
Net cash generated by (used in) operating activities	(3,315)	3,100
Cash flows from investing activities		
Purchase of property, plant and equipment	$ (191)	$ (3,661)
Proceeds from sale of property, plant and equipment	-	497
Net cash used in investing activities	(191)	(3,164)
Cash flows from financing activities		
Cash received from share issuance	$ 3,333	$ -
Receipt of credit from banks and other long term loans	3,848	336
Receipt (repayment) of term loan	(943)	(1,064)
Principal elements of lease payments	(429)	(457)
Net cash generated by (used in) financing activities	5,809	(1,185)
Exchange differences on balances of cash and cash equivalents	(320)	843
Increase (decrease) in cash and cash equivalents	$ 1,983	$ (406)
Cash and cash equivalents at the beginning of the period	11,205	13,974
Cash and cash equivalents at the end of the period	$ 13,188	$ 13,568

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

NOTE 1: NATURE OF OPERATIONS

Baylin Technologies Inc. ("Baylin") was incorporated pursuant to the laws of the Province of Ontario on September 24, 2013. Baylin's registered office is located at 181 Bay Street, Suite 1800, Toronto, Ontario, Canada.

Baylin, together with its subsidiaries (collectively, the "Company" or the "Group"), is a leading diversified global wireless technology company. Baylin focuses on research, design, development, manufacturing and sales of passive and active radio frequency ("RF") and 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 through certain subsidiaries of the Company. The Company's common shares and convertible debentures are publicly traded on the Toronto Stock Exchange (TSX: BYL and BYL.DB).

Approval of financial statements

These interim condensed consolidated financial statements of the Company for the three months ended March 31, 2021 have been prepared by management of Baylin and were authorized for issuance in accordance with a resolution of the board of directors on May 10, 2021.

NOTE 2: BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended March 31, 2021 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2020 (the "Annual Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

As of March 31, 2021 there have been no material changes to the significant accounting policies as outlined in Note 3 of the Annual Financial Statements, except as disclosed in Note 4.

NOTE 4: DISCLOSURES OF NEW STANDARDS ADOPTED AND PRIOR TO ADOPTION

New standards and amendments adopted

Certain new standards and amendments that have an impact on the interim condensed consolidated financial statements of the Company became effective on January 1, 2021 are as follows:

On August 27, 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2' which amend IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IAS 39 Financial Instruments: Recognition and

Measurement, and IFRS 16 Leases. The amendments require additional disclosures for users to understand the nature and extent of risks arising from the IBOR reform and how the entity manages those risks.

New standards and interpretations not yet adopted

The following are new standards that have been issued but are not yet in effect and which are relevant to the Group:

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

On May 14, 2020, the IASB issued amendments to IFRS 3 Business Combinations that added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company did not have a business combination since the issuance of the standard but expects to apply the amendment for future business combinations.

On May 14, 2020, the IASB issued amendments to IAS 16, Property, Plant and Equipment which prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

On May 14, 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets providing guidance regarding the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022 with comparative figures not restated. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

On May 14, 2020, the IASB issued amendments to IFRS 9, Financial Instruments, which clarify which fees an entity includes when it applies the “10 per cent test” in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

NOTE 5: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

There have been no significant changes to the Company's critical accounting judgments, estimates and assumptions made since our annual financial reporting for the year ended December 31, 2020, except as discussed in Note 4. Impacts of the COVID-19 pandemic have been considered as of March 31, 2021 when assessing accounting judgments, estimates and assumptions.

NOTE 6: CREDIT FROM BANKS

The Group has revolving credit lines which are being drawn as needed. As at March 31, 2021, the aggregate revolving credit facilities of the Group were $21,900 of which $10,730 was drawn and utilized. As at December 31, 2020, the aggregate revolving credit facilities of the Group were approximately $21,976 of which $10,129 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 $20,000. As at March 31, 2021, $7,042 was outstanding under the Revolving Facility and $6,621 was outstanding as at December 31, 2020. 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 (as defined in the Credit Agreement) and is payable monthly in arrears, as set out in the Credit Agreement. The Revolving Facility matures on March 29, 2022. Certain of Baylin's subsidiaries are guarantors of the Revolving Facility. The Revolving Facility is secured by substantially all the assets of Baylin and the guarantors. The Credit Agreement contains certain financial covenants, including a fixed charge coverage ratio (as defined in the Credit Agreement) and senior debt to EBITDA ratio calculated at the end of each quarter. The Credit Agreement also includes other customary covenants and events of default.

a. On June 8, 2020, the Company and the Lenders agreed to make certain amendments to the Credit Agreement, including amendments to the fixed charge coverage ratio and senior debt to EBITDA ratio calculated at the end of each quarter, adding a minimum EBITDA covenant for the trailing twelve months ending June 30, 2020, adding a minimum liquidity covenant until December 31, 2020, a reduction of $2,000 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 Lenders waived compliance with the financial covenants in respect to the quarter ended March 31, 2020.

   On December 2, 2020, the Company and the Lenders agreed to make certain further amendments to the Credit Agreement, 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 EBITDA covenant for the trailing twelve months ending December 31, 2020, and extending the minimum liquidity covenant until September 30, 2021.

   As at March 31, 2021, the interest rate on the Revolving Facility was 6.00% on United States Dollar advances, 4.70% on Canadian Dollar advances and 3.36% on LIBO Rate advances. As at March 31, 2021, the standby fee on the undrawn portion of the Revolving Facility was 0.65% per annum. As at December 31, 2020, the interest rate on the Revolving Facility was 6.0% on United States Dollar advances and 4.70% on Canadian Dollar advances and 3.40% on LIBO Rate advances. The standby fee on the undrawn portion of the Revolving Facility was 0.65% per annum.

The Company and its Lenders have agreed to further amend the Credit Agreement. These amendments include an amendment to the Senior Debt to EBITDA Ratio - for fiscal quarters ending June 30 to December 31, 2021 there will not be any covenant and for each fiscal quarter end thereafter the ratio will be 3.00:1.00.

The Company also agreed (i) to a minimum EBITDA covenant for the twelve month ending September 30 and December 31, 2021, (ii) to an increase of 0.25% in the rate of interest that would otherwise apply at any time the Senior Debt to EBITDA Ratio is equal to or more than 2.75:1.00, (iii) to an increase of 0.05% in the standby fee that would otherwise apply at any time the Senior Debt to EBITDA Ratio is equal to or more than 2.75:1.00, (iv) to a reduction in the amount of the revolving credit facility of $3,000 and (v) to maintain minimum liquidity of at least $7,000.

There was no change to the Fixed Charge Coverage Ratio, which will remain at 1.15:1.00.

The amendments include a waiver of compliance with applicable financial covenants in respect of the fiscal quarter ended March 31, 2021.

As part of the amendments, the Company also agreed not to pay more than $100 in cash interest on each of the June 30 and December 31, 2021 interest payment dates on the Debentures (defined in Note 8) without the consent of the Lenders except out of the cash proceeds from the sale of common shares or other equity interests of the Company or the payment of interest in common shares of the Company.

b. The Company's Chinese subsidiary has a Yuan equivalent $3,454 (December 31, 2020 - $3,508) short-term credit facility with the Shanghai Pudong Development Bank ("SPD") secured by the Company's Chinese subsidiary's building. The loan interest rate is set at 1.55% plus the Chinese Central Bank lending rate. As at March 31, 2021 and December 31, 2020, the full balance was outstanding.

c. The Company's Korean subsidiary has a $446 (December 31, 2020 - $468) short-term credit facility with the Shinhan Bank in South Korean Won currency equivalent. The credit facility is secured by an irrevocable letter of credit issued by Baylin to the lender in Korea. The loan interest rate is set at 1.4% plus the Korean Central Bank lending rate. As at March 31, 2021, $234 was outstanding and as at December 31, 2020, there was no balance outstanding under this facility.

NOTE 7: LONG-TERM LOANS

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 $26,408. The principal amount under the Term Loan was advanced in United States Dollars at closing and was used to repay existing indebtedness. Quarterly principal payments in the amount of $943 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 Baylin's subsidiaries are guarantors of the Term Loan. The Revolving Facility is secured by substantially all the assets of Baylin and the guarantors. The Credit Agreement contains certain financial covenants including a fixed charge coverage ratio (as defined in the Credit Agreement) and senior debt to EBITDA ratio 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. As at March 31, 2021, the interest rate swap contract was valued as a liability within other long-term liabilities on the balance sheet of $378 and $482 as at December 31, 2020. The fair value of the interest rate swap contract was valued using a future LIBOR curve.

On June 8, 2020, the Company and the Lenders agreed to make certain amendments to the Credit Agreement, including amendments to the fixed charge coverage ratio and senior debt to EBITDA ratio calculated at the end of each quarter, adding a minimum 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 in respect of the quarter ended 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 for June 30, 2020 and September 30, 2020 were deferred.

On December 2, 2020, the Company and the Lenders agreed to make certain further amendments to the Credit Agreement 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 EBITDA covenant for the trailing twelve months ending December 31, 2020, and extending the minimum liquidity covenant until September 30, 2021. As at March 31, 2021, the interest rate on the Term Loan was 3.50% and as at December 31, 2020, the interest rate on the Term Loan was 3.47%.

The Company and its Lenders have agreed to further amend the Credit Agreement. These amendments are described in Note 6.

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 $3,159 (the "Vietnam Loan"). As at March 31, 2021, $3,061 was outstanding under the Vietnam Loan and 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 on February 18, 2024 and the quarterly principal repayments commence on March 1, 2022. 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.

NOTE 8: CONVERTIBLE DEBENTURES

On July 10, 2018, the Company completed a bought deal public offering of 7,419,355 subscription receipts ("Subscription Receipts") at $3.10 per Subscription Receipt and $17,250 principal amount of 6.5% extendible convertible unsecured debentures ("Debentures") for aggregate gross proceeds of $40,250 (the "2018 Offering"). 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"). 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 earlier of: (i) 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 principal amount of Debentures, subject to adjustment in certain events in accordance with a convertible debenture indenture dated July 10, 2018 (the "Indenture").

Canadian dollars in thousands, except per share amounts

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 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. No conversion of the Debentures have been exercised to date.

On May 14, 2020, 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, 2020. Holders who exercised the option received common shares at 85% of their current market price on the June 30, 2020 interest payment date. These shares are subject to a restriction on resale for a period of four months after that date. On June 30, 2020, holders of the Debentures who exercised the option were issued 355,840 common shares for a total of $329.

	Debentures Principal	Debentures Fair Value
Balance as of January 1, 2021	$ 17,250	$ 14,178
Fair value adjustment		2,047
Balance as of March 31, 2021	$ 17,250	$ 16,225

	Debentures Principal	Debentures Fair Value
Balance as of January 1, 2020	$ 17,250	$ 14,231
Fair value adjustment		(3,879)
Balance as of March 31, 2020	$ 17,250	$ 10,352

At a meeting held on April 8, 2021, the holders of the Debentures approved an amendment (the "Amendment") to the Indenture to reduce, for a period of 30 days, the Conversion Price from $3.85 to a current market price of the common shares at the time the Amendment becomes effective (the "New Conversion Price"). The Amendment is subject to approval by shareholders of the Company at the annual and special meeting of the Company to be held on May 11, 2021. If the Amendment is approved, the New Conversion Price will be determined based the volume-weighted average trading price of the common shares on the TSX for the five consecutive trading days (excluding any days during the Company's general blackout period under its Confidentiality and Insider Trading Policy) ending on the day before the effective date of the Amendment. The terms of the Debentures otherwise remain unchanged. If the Amendment is not approved, the Conversion Price will remain at $3.85.

NOTE 9: EMPLOYEE BENEFIT LIABILITIES

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

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

NOTE 10: SHARE CAPITAL AND SHARE-BASED PAYMENTS

a. 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.

b. 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.

c. 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.

Canadian dollars in thousands, except per share amounts

The following table lists the number of DSUs outstanding as at March 31, 2020 and 2021:

	Number of DSUs	Weighted average price in CAD
DSUs outstanding as at January 1, 2021	583,106	$ 1.96
DSUs granted during 2021	28,922	$ 1.53
DSUs outstanding as at March 31, 2021	612,028	$ 1.81
DSUs outstanding as at January 1, 2020	395,449	$ 2.51
DSUs granted during 2020	48,785	$ 1.66
DSUs redeemed during 2020	(52,759)	$ 2.10
DSUs outstanding as at March 31, 2020	391,475	$ 2.46

The Company recognized an expense of $45 in the three months ended March 31, 2021 and $81 in the three months ended March 31, 2020 within general and administrative expenses with regards to the DSU Plan.

d. In the case of stock options, at the time of granting a stock option, the board of directors will determine (i) the exercise price, being not less than the fair market value of the common shares, (ii) the vesting provisions, generally being 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 following table summarizes grants of stock options:

		Options as at March 31, 2021			
Stock option grant date	**Stock options granted**	**Vested**	**Expired**	**Surrendered**	**Net Outstanding**
Mar. 30, 2017	685,000	456,666	145,000	290,000	250,000
Aug. 8, 2017	500,000	500,000	-	-	500,000
Mar. 10, 2018	30,000	30,000	-	-	30,000
May 17, 2018	275,000	131,666	43,334	21,666	210,000
May 22, 2018	25,000	5,000	20,000	5,000	-
Jul. 11, 2018	197,500	72,000	90,400	48,600	58,500
Nov. 9, 2018	250,000	166,666	-	-	250,000
Mar. 25, 2019	325,000	70,000	150,000	-	175,000
May 21, 2019	270,000	90,000	-	-	270,000
Aug. 16, 2019	60,000	20,000	-	-	60,000
Nov. 23, 2020	150,000	-	-	-	150,000
	2,767,500	1,541,998	448,734 -	365,266	1,953,500

Canadian dollars in thousands, except per share amounts

		Options as at December 31, 2020			
Stock option grant date	**Stock options granted**	**Vested**	**Expired**	**Surrendered**	**Net Outstanding**
Mar. 30, 2017	685,000	456,666	145,000	290,000	250,000
Aug. 8, 2017	500,000	500,000	-	-	500,000
Mar. 10, 2018	30,000	20,000	-	-	30,000
May 17, 2018	275,000	131,666	43,334	21,666	210,000
May 22, 2018	25,000	5,000	20,000	5,000	-
Jul. 11, 2018	197,500	72,000	90,400	48,600	58,500
Nov. 9, 2018	250,000	166,666	-	-	250,000
Mar. 25, 2019	325,000	35,000	150,000	-	175,000
May 21, 2019	270,000	90,000	-	-	270,000
Aug. 16, 2019	60,000	20,000	-	-	60,000
Nov. 23, 2020	150,000	-	-	-	150,000
	2,767,500	1,496,998	448,734	365,266	1,953,500

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

Stock option grant date	**Stock options granted**	**Exercise price**	**Expected volatility of the stock prices (%)**	**Risk-free interest rate (%)**	**Expected life of stock options (years)**	**Option fair value at the grant date (CAD)**
Mar. 30, 2017	685,000	$ 1.98	50.48	1.10	5.0	$ 0.89
Aug. 8, 2017	500,000	$ 2.00	48.69	1.55	5.0	$ 0.89
Mar. 10, 2018	30,000	$ 3.51	50.68	1.98	5.0	$ 1.42
May 17, 2018	275,000	$ 3.34	50.20	2.04	5.0	$ 1.89
May 22, 2018	25,000	$ 3.34	50.29	2.30	5.0	$ 1.45
Jul. 11, 2018	197,500	$ 3.50	48.87	2.07	5.0	$ 1.36
Nov. 9, 2018	250,000	$ 3.84	48.29	2.48	5.0	$ 1.78
Mar. 25, 2019	325,000	$ 3.89	48.42	1.44	5.0	$ 1.76
May 21, 2019	270,000	$ 3.57	47.88	1.65	5.0	$ 1.67
Aug. 16, 2019	60,000	$ 3.18	46.32	1.19	5.0	$ 1.48
Nov. 23, 2020	150,000	$ 0.87	77.47	0.44	5.0	$ 0.55
	2,767,500					

The Company recognized expenses during the three months ended March 31, 2021 due to the stock options under the Stock Option Plan in the amount of $97 as general and administrative expenses and $205 during the three months ended March 31, 2020.

e. The Company also provides for the issuance of common shares to employees of the Company under the terms of the Employee Share Compensation Plan (“ESCP”).

In February 2018, the Company granted certain employees and executives 49,738 restricted common shares of which 50% vest 12 months subsequent to the date of grant and 50% vest 24 months subsequent to the date of the grant. The Company recognized $8 in general and administrative expenses for the three months ended March 31, 2020.

In March 2019, the Company issued 64,263 restricted common shares of which 50% vest 12 months subsequent to the date of grant and 50% vest 24 months subsequent to the date of grant. The Company recognized $16 in general and administrative expenses for the three months ended March 31, 2021 in terms of the ESCP. The Company recognized an expense of $47 for the three months ended March 31, 2020 in terms of the ESCP.

f. On June 30, 2020, the Company issued 355,840 common shares to holders of the Debentures for $329 to partially pay the June 30, 2020 interest payment on the Debentures. The Company also completed a private placement of 267,566 common shares for proceeds of $248. A portion of the proceeds were used to pay interest on the Debentures on the June 30, 2020 interest payment date. The remaining portion of the proceeds were used to pay interest on the Debentures on the December 31, 2020 interest payment date.

g. On September 30, 2020, the Company issued 271,960 RSUs to certain employees in consideration for deferred salary from April 2020 to September 2020 and were valued at $269. In the third quarter of 2020, 14,577 RSUs of the September 30, 2020 issuance were settled and were valued at $14. On December 31, 2020, the Company issued 43,716 RSUs to certain employees in consideration for deferred salary from October 2020 to December 2020 and were valued at $38.

h. On December 15, 2020, the Company completed a private placement of 6,666,700 Units (the "Units") at a price of $0.75 per Unit, each Unit comprised of one common share in the capital of Baylin and one-half of one common share purchase warrant (each whole warrant, a "Common Warrant"). Each Common Warrant is exercisable for one common share at an exercise price of $1.05 per common share. In connection with the private placement, the agents received a cash commission of $266 and 200,001 broker warrants ("Broker Warrants"). Each Broker Warrant entitles the holder to acquire one common share at an exercise price of $0.87 per common share with an exercise period of two years from the closing of the private placement and were valued at $51. On February 22, 2021, the Company to exercised its right to accelerate the expiry date of the Common Warrants to 30 days after delivery of the notice. As of the expiry date, 3,175,450 of the 3,333,350 Common Warrants were exercised for proceeds of $3,333.

   In the third quarter of 2020, 14,577 common shares were issued to settle restricted share units having a value of $14. In the first quarter of 2021, 44,508 common shares were issued to settle restricted share units having a value of $44.

   On December 31, 2020, the Company issued 451,070 common shares to holders of the Debentures for $332 to partially pay the December 31, 2020 interest payment on the Debentures.

NOTE 11: EQUITY METHOD INVESTMENT

Baylin's equity-method investments consist of a 19% interest in Galtronics Canada Ltd. ("GTC"), a Canadian technology company that provides innovative antenna designs and RF test services for wireless communication products, and a 19% interest in Advantech Wireless Research Inc. ("AWR"), a Canadian technology company that designs terrestrial and satellite communications solutions for wireless broadband communication companies. For the three months ended March 31, 2021, transactions between the Company and GTC totaled $579 and between the Company and AWR totaled $605 consisting primarily of R&D expenses related to the services agreements the Company has with GTC and AWR. As at March 31, 2021, the Company was owed $1,554 from GTC and $2,732 from AWR. For the three months ended March 31, 2020, transactions between the Company and GTC totaled $908 and between the Company and AWR totaled $1,471. As at December 31, 2020, the Company was owed $2,839 from GTC and was owed $1,193 by AWR.

Canadian dollars in thousands, except per share amounts

Summary financial information for the Corporation's equity-method investments as follows:

	As of March 31, 2021			As of December 31, 2020		
	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total
Cash	$ 103	$ 54	$ 157	$ 238	$ 118	$ 356
Other current assets	33	1,374	1,407	753	1,829	2,582
Accounts receivables	1,685	1,429	3,114	1,691	1,242	2,933
Property, plant and equipment	2,838	426	3,264	1,044	384	1,428
Accounts payables and accrued liabilities	(4,795)	(2,771)	(7,566)	(3,637)	(3,033)	(6,670)
Net assets	$ (137)	$ 511	$ 374	$ 89	$ 540	$ 629
Share of equity method investment net assets (liability)	(26)	107	81	17	102	119
Unrecognized equity method losses	26		26	-	-	-
	$ -	$ 107	$ 107	$ 17	$ 102	$ 119

	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total
Revenue	$ 666	$ 605	$ 1,271	$ 1,851	$ 1,471	$ 3,322
Expenses	870	577	1,447	916	1,400	2,316
Net income (loss)	$ (204)	$ 28	$ (176)	$ 935	$ 71	$ 1,006
Share of equity method investment net income (loss)	(39)	5	(34)	178	14	192
Unrecognized share of equity method investment net loss	22	-	22	-	-	-
	$ (17)	$ 5	$ (12)	$ 178	$ 14	$ 192

NOTE 12: RELATED PARTY TRANSACTIONS

Share-based payment for executive officers

These amounts represent the costs of the key executives and employees' grants under the Company's employee share compensation plans and are recognized within general and administrative expenses.

Share-based payment for directors

These amounts represent the costs of directors' grants under the Company's DSU Plan and are recognized within general and administrative expenses.

Employee Purchase Plan

These amounts represent the costs of grants under the Company's ESPP and are recognized within general and administrative expenses.

Advantech Wireless Inc.

On January 17, 2018, through a wholly-owned subsidiary, the Company acquired from Advantech Wireless Inc. and certain of its affiliates 100% of the assets (the "Advantech Acquisition") of their radio frequency, terrestrial microwave and antenna equipment divisions. Advantech Wireless Inc. (now known as SpaceBridge Inc. ("SpaceBridge")) was owned and controlled by David Gelerman, a director of the Company until April 3, 2020.

Pursuant to the terms of the Advantech Acquisition, SpaceBridge was entitled to additional compensation of between $750 and $3,000 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 SpaceBridge contested that the 2019 EBITDA targets were not met. The Company is opposing the objection.

SpaceBridge and certain of its affiliates acted as an agent for the Company and as at March 31, 2021, $2,501 was due to the Company and was included in trade receivables and $1,495 due to the agent was included in accounts payable and accrued liabilities. As at December 31, 2020, $2,506 due to the Company was included in trade receivables and $1,495 due to the agent was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2021, the Company recognized $86 related to the sale of goods to SpaceBridge and certain of its affiliates. During the three months ended March 31, 2020, the Company recognized revenue in the amount of $74 related to the sale of goods to SpaceBridge.

The Company did not provide services to SpaceBridge or its affiliates during the three months ended March 31, 2021 and the three months ended March 31, 2020. As of March 31, 2021 and December 31, 2020, $397 was included within trade receivables.

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 $1,800 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 SpaceBridge failed to contest the indemnity claim within the prescribed time period. After the payment, SpaceBridge 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 SpaceBridge pursuant to the terms of the Advantech Acquisition. The claims, in the aggregate, total approximately $5,596. SpaceBridge has filed statements of defence as well as statements of counterclaim. In July 2019, SpaceBridge 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, SpaceBridge 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. SpaceBridge 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, SpaceBridge 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 SpaceBridge 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 SpaceBridge's books and records, unpaid rent on premise subleased from SpaceBridge 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 by SpaceBridge under all claims is at least $7,165.

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, later in 2021.

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. Accordingly, no provision has been recorded in respect of the claims other than certain rent amounts.

Alga

On July 11, 2018, the Company acquired all of the issued and outstanding shares of Alga Microwave Inc. ("Alga") through a newly incorporated, wholly-owned subsidiary of the Company (the "Alga Acquisition").

For the three months ended March 31, 2021 and the three months ended March 31, 2020, $39 was recognized in revenue for premises leased to a company partly owned by Michael Perelshtein, a former employee of Alga.

Legal Proceedings

In the third quarter of 2019, the former shareholders of Alga filed an application asserting that an event occurred which triggered the payment of an earnout in the amount of $1,000 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 required to pay any amounts related to these legal proceedings. Accordingly, no provision has been recorded in respect of the claim.

In December 2020, a former employee of Alga filed an application asserting he had been constructively dismissed and claiming damages of $543. The Company is opposing the application.

Canadian dollars in thousands, except per share amounts

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 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. For the three months ended March 31, 2020, the Company paid $25 to Mr. Royer under this agreement. In March 2020, Mr. Royer agreed to forego the fee for an unspecified period and no amount was paid to Mr. Royer for the three months ended March 31, 2021.

Director and executive officer remuneration

The following comprise the remuneration for directors and executive officers:

a. Short-term benefits, pension and post-retirement benefits

   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.

b. Directors' remuneration

   These amounts represent fees and expense reimbursement paid to directors.

c. Share-based payment for executive officers

   These amounts represent the costs of stock option grants and cost of ESCP, EPP and RSUs.

d. Share-based payment for directors

   These amounts represent the costs of DSU grants.

The following table summarizes the remuneration of directors and executive officers:

	For the three months ended March 31, 2021	2020
Short-term benefits, pension and post-retirement benefits	$ 1,173	$ 1,643
Directors' remuneration	-	38
Share-based payment for executive management	97	260
Share-based payment for directors	45	85

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

Canadian dollars in thousands, except per share amounts

NOTE 13: FAIR VALUE MEASUREMENTS

The Company classifies its financial instruments into the three levels prescribed under the accounting standards.

The following table presents the Company's financial liabilities measured and recognized at fair value:

	As at March 31, 2021			
	Level 1	Level 2	Level 3	Total
Convertible Debentures	$ 16,225	$ -	$ -	$ 16,225
Interest Rate Swap	$ -	$ 378	$ -	$ 378

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Convertible Debentures	$ 10,352	$ -	$ -	$ 10,352
Interest Rate Swap	$ -	$ 678	$ -	$ 678

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The present value of future cash flows based on observable yield curves was the valuation technique used to determine the fair value of the interest rate swap.

Canadian dollars in thousands, except per share amounts

NOTE 14: REVENUE

Revenues by geographic destination are as follows:

	For the three months ended March 31, 2021	2020
United States of America	$ 6,160	$ 6,880
Vietnam	8,383	6,121
China	3,018	3,967
South Korea	1,072	1,228
Singapore	106	880
Sweden	228	1,332
United Kingdom	73	109
Canada	506	2,111
Taiwan	164	138
Russia	36	377
India	890	72
Romania	-	1,001
Other	2,826	2,726
	$ 23,460	$ 26,942

NOTE 15: FINANCE INCOME AND EXPENSE

	For the three months ended March 31, 2021	2020
Interest income	$ (1)	$ (8)
Interest expense	835	773
Interest cost on lease liabilities	174	201
Bank charge expense	20	26
Changes from foreign exchange rate changes	(114)	2,647
Finance expense, net	$ 914	$ 3,639