MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2021

Dated May 10, 2021

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three Months Ended March 31, 2021

This management's discussion and analysis ("MD&A") of financial condition and results of operations of Baylin Technologies Inc. ("Baylin", the "Company", "we" or "us") was prepared by management as at May 10, 2021. This MD&A should be read in conjunction with the audited consolidated financial statements of Baylin and related notes thereto for the year ended December 31, 2020 (the "Annual Financial Statements") and the unaudited interim condensed consolidated financial statements of Baylin and related notes thereto for the three months ended March 31, 2021 (the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements"). The Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing this MD&A, management has taken into account information available to it up to May 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 accounts payable and accrued 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 ("BSA") 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 three months ended March 31, 2021 include the following:

- Revenue was $23.5 million in the first quarter of 2021, a decrease of $3.4 million or 12.9% compared to the first quarter of 2020.

- Ongoing and implemented cost reduction initiatives continued to yield benefits with operating expenses $2.6 million lower than the first quarter of 2020.

- Net cash as at March 31, 2021 increased by $1.4 million from December 31, 2020 mainly due to proceeds from the exercise of common share purchase warrants issued in December 2020 and drawdown of the Vietnam Loan (see “Long-term debt” on page 13 of this MD&A), offset by principal and interest payments, cash taxes and loss incurred on a consumer product in the Asia Pacific business line.
- Open customer orders as at March 31, 2021 showed strong improvement compared to December 31, 2020 and March 31, 2020 values.

Recent Developments

COVID-19

The coronavirus (COVID-19) pandemic had a continued significant impact on revenue, sales mix and margins in the first quarter of 2021 particularly for the Infrastructure and Satcom business lines. The Infrastructure business line saw a slower than anticipated recovery of its products but nevertheless received approval from a Tier 1 carrier to manufacture two types of base station antennas which will benefit the business line in future periods. The Satcom business line saw the carryover effects of COVID-19 from the fourth quarter of 2020 on its revenue but experienced stronger order intake in the first quarter of 2021, finishing the quarter with a robust order backlog.

Asia Pacific Group

In the fourth quarter of 2020, the Asia Pacific business line was awarded a contract to produce an antenna for use in a consumer product. This award represented an opportunity to diversify its business into a new product category. Although the product satisfied the customer’s technical RF specifications, the final product was found not to be acceptable as a retail product, resulting in significant customer returns. We therefore made the difficult decision to exit this business, incurring a loss of $2.0 million in the first quarter of 2021 on this product category, with a small number of antennas remaining to be shipped in the next few months.

Credit Agreement

The Company and its Lenders have agreed to amend the Credit Agreement (see “Credit from banks” on page 12 of this MD&A). 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 trailing twelve months 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 of the revolving credit facility by $3 million; and, (v) to maintain minimum liquidity of at least $7 million.

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 $100,000 in cash interest on each of the June 30 and December 31, 2021 interest payment dates on the Debentures (see “Convertible debentures” on page 13 of this MD&A) 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.

SELECTED FINANCIAL INFORMATION

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

(in $000's except per share amounts)

	Three Months Ended March 31,		Year Ended December 31,
	2021	**2020**	**2020**
	$	**$**	**$**
Revenue	23,460	26,942	119,739
Gross profit	3,597	8,599	35,401
Loss before income taxes	(8,444)	(3,270)	(17,811)
Income tax expense (recovery)	18	(809)	(887)
Net loss	(8,462)	(2,461)	(16,924)
Basic and diluted net loss per share	($0.17)	($0.06)	($0.42)
EBITDA	(2,716)	(195)	-
Adjusted EBITDA	(2,257)	555	6,350
Current assets	61,261	64,963	58,021
Total assets	133,629	151,996	133,473
Current liabilities	55,647	63,732	36,470
Non-current liabilities	34,346	28,768	48,140
Total liabilities	89,993	92,500	84,610

OUTLOOK

Although COVID-19 had a negative impact on our financial results in the first quarter of 2021, we remain optimistic that financial results will improve quarter-over-quarter (subject to seasonal variations) for the remainder of 2021.

The outlook for the Wireless Infrastructure business line for 2021 has improved 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 commenced in the first quarter of 2021; and,
4) BSA wins with a Tier 1 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 tablets and laptops.

The Embedded Antenna business line is expected to continue to perform well in 2021 with gross margin expected to improve throughout the balance 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 line expecting growth for 2021.

The Satcom business line has been directly affected by the severe downturn in the airline and cruise ship industries although there are signs a recovery may occur in the second half of 2021. By contrast, we have 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 the first half of 2021. The launch of our new Summit Series II solid state power amplifier has achieved early success with a key customer win. This platform has been an enormous undertaking for our team, and we now expect to deliver our first system in the second 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.

Completion of our new MMU facility in Vietnam remains a challenge. We continue to experience delays in final commissioning and approval of the facility, principally due to the effect of COVID-19 related travel restrictions. That, together with softer demand in the MMU sector, means the timing for volume production from the facility remains uncertain.

We caution that the degree of our operational and financial performance will depend on the duration and spread of COVID-19, the effectiveness of vaccines and the actions taken by governments and others to curtail the spread of COVID-19, all of which are uncertain and cannot be predicted.

DISCUSSION OF OPERATIONS

Description of Operations

Galtronics

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.

Satcom

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)

	Three Months Ended March 31,		
	2021	**2020**	**Change**
	$	**$**	**%**
Revenue	**23,460**	**26,942**	**(12.9%)**
Cost of sales	19,863	18,343	8.3%
Gross profit	**3,597**	**8,599**	**(58.2%)**
Gross margin	15.3%	31.9%	

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) *First Quarter of 2021 compared to First Quarter of 2020*

The Company's revenue was $23.5 million in the first quarter of 2021 compared to $26.9 million in the first quarter of 2020, representing a decrease of $3.4 million or 12.9%. The decrease was primarily due to weaker sales for Satcom product lines in the first quarter of 2021, somewhat offset by higher revenue from Asia Pacific products compared to the first quarter of 2020.

The Company's gross profit was $3.6 million in the first quarter of 2021, a decrease of $5.0 million or 58.2% compared to the first quarter of 2020. Gross margin was 15.3% in the first quarter of 2021 compared to 31.9% in the first quarter of 2020. Gross margin was negatively impacted by product mix – Asia Pacific revenue as a percentage of total revenue was higher in the first quarter of 2021 compared to the prior year period, however it generated a gross loss in the first quarter of 2021 due to manufacturing-related issues of a new consumer product which is being phased out. The Company will not participate in future models of this product.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended March 31,		
	2021	**2020**	**Change**
	$	**$**	**%**
Payroll	1,596	1,861	(14.2%)
Other	497	825	(39.8%)
Total	**2,093**	**2,686**	**(22.1%)**
As a percentage of revenue	8.9%	10.0%	

a) *Factors affecting Selling and Marketing Expenses*

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

b) *First Quarter of 2021 compared to First Quarter of 2020*

The Company's selling and marketing expenses in the first quarter of 2021 were $2.1 million (8.9% of revenue) compared to $2.7 million (10.0% of revenue) in the first quarter of 2020. The decrease was primarily due to lower travel expenditures incurred in the first quarter of 2021 as a result of the Company's imposed travel restrictions, lower sales commissions, the impact of cost reduction measures, as well as government stimulus received in the first quarter of 2021 relating to COVID-19 relief including 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)

	Three Months Ended March 31,		
	2021	**2020**	**Change**
	$	**$**	**%**
Development costs	2,986	3,349	(10.8%)
Depreciation	97	79	22.8%
Total	**3,083**	**3,428**	**(10.1%)**
As a percentage of revenue	13.1%	12.7%	

a) *Factors affecting Research and Development Expenses*

The Company's research and development ("R&D") expenses consist primarily of salaries, patent fees, product development costs and other related engineering expenses. The Company's technological design centres are located in South Korea, United States and Canada. The Company often incurs significant expenditures in the development of a new product without any assurance that its customers' system designers will ultimately select 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) *First Quarter of 2021 compared to First Quarter of 2020*

The Company's R&D expenses in the first quarter of 2021 were $3.1 million (13.1% of revenue) compared to $3.4 million (12.7% of revenue) in the first quarter of 2020. The decrease was mainly attributable to the impact of cost reduction measures, as well as government stimulus received in the first quarter of 2021 relating to COVID-19 relief.

General and Administrative Expenses

(in $000's)

	Three Months Ended March 31,		
	2021	**2020**	**Change**
	$	**$**	**%**
Payroll	1,129	2,554	(55.8%)
Other	1,058	1,192	(11.2%)
Depreciation	537	646	(16.9%)
Amortization	1,272	1,308	(2.8%)
Total	**3,996**	**5,700**	**(29.9%)**
As a percentage of revenue	17.0%	21.2%	

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) *First Quarter of 2021 compared to First Quarter of 2020*

The Company’s G&A expenses in the first quarter of 2021 were $4.0 million (17.0% of revenue) compared to $5.7 million (21.2% of revenue) in the first quarter of 2020. The decrease was primarily attributable to the impact of cost reduction measures, as well as government stimulus received in the first quarter of 2021 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)

	Three Months Ended March 31,		
	2021	**2020**	**Change**
	$	**$**	**%**
Operating loss	**(5,575)**	**(3,215)**	**73.4%**
Depreciation and amortization	2,859	3,020	(5.3%)
EBITDA	**(2,716)**	**(195)**	**1292.8%**
Adjustments to EBITDA	459	750	(38.8%)
Adjusted EBITDA	**(2,257)**	**555**	**(506.7%)**

Adjustments to EBITDA

(in $000's)

	Three Months Ended March 31,		
	2021	**2020**	**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	178	290	(38.6%)
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	111	109	1.8%
Corporate re-organization expenses	9	10	(10.0%)
Non-cash compensation	161	341	(52.8%)
Total	**459**	**750**	**(38.8%)**

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) *First Quarter of 2021 compared to First Quarter of 2020*

The company's operating loss in the first quarter of 2021 was $5.6 million compared to the operating loss of $3.2 million in the first quarter of 2020. The operating loss in the first quarter of 2021 was primarily due to the lower revenue and gross margin somewhat offset by lower operating expenses.

The company's Adjusted EBITDA in the first quarter of 2021 was -$2.3 million compared to $0.6 million in the first quarter of 2020. Adjustments to EBITDA in the first quarter of 2021 amounting to $0.5 million are detailed in the chart above.

Net Loss

(in $000's except per share amounts)

	Three Months Ended March 31,		
	2021	**2020**	**Change**
	$	**$**	**%**
Loss before income taxes	(8,444)	(3,270)	158.2%
Income tax expense (recovery)	18	(809)	(102.2%)
Net loss	**(8,462)**	**(2,461)**	**243.8%**
Basic and diluted net loss per share	($0.17)	($0.06)	

a) *Factors affecting Net Loss*

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

b) *First Quarter of 2021 compared to First Quarter of 2020*

The Company's net loss in the first quarter of 2021 was $8.5 million compared to the net loss of $2.5 million in the first quarter of 2020. The net loss in the first quarter of 2021 was primarily due to the operating loss noted above as well as a fair value adjustment to the Debentures. On a per share basis, the first quarter of 2021 produced a net loss of $0.17 per share compared to a net loss of $0.06 per share in the first quarter of 2020.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	Three Months Ended			
	June 30, 2020	**September 30, 2020**	**December 31, 2020**	**March 31, 2021**
	$	**$**	**$**	**$**
Revenue	30,629	36,577	25,591	23,460
Gross profit	9,678	10,399	6,725	3,597
EBITDA	1,905	2,278	(3,988)	(2,716)
Adjusted EBITDA	2,658	3,582	(445)	(2,257)
Net loss	(4,707)	(365)	(9,391)	(8,462)
Basic and diluted net loss per share	($0.12)	($0.01)	($0.23)	($0.17)
Current assets	68,535	67,860	58,021	61,261
Total assets	152,011	151,292	133,473	133,629
Current liabilities	45,307	48,110	36,470	55,647
Total liabilities	97,496	97,256	84,610	89,993

(in $000's except per share amounts)

	Three Months Ended			
	June 30, 2019	**September 30, 2019**	**December 31, 2019**	**March 31, 2020**
	$	**$**	**$**	**$**
Revenue	47,831	36,430	30,029	26,942
Gross profit	17,644	12,212	10,752	8,599
EBITDA	4,976	824	(12,682)	(195)
Adjusted EBITDA (2019: revised to include non-cash compensation)	6,121	1,442	2,140	555
Net income (loss)	1,654	(718)	(14,649)	(2,461)
Basic and diluted net income (loss) per share	$0.04	($0.02)	($0.36)	($0.06)
Current assets	84,518	77,786	64,293	64,963
Total assets	179,103	173,457	147,557	151,996
Current liabilities	53,579	50,838	36,848	63,732
Total liabilities	105,091	100,138	88,676	92,500

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 March 31, 2021	**As at December 31, 2020**
	$	**$**
Cash and cash equivalents	13,188	11,205
Less: Credit from banks	(10,730)	(10,129)
Net Cash	**2,458**	**1,076**

The Company had net cash at March 31, 2021 and December 31, 2020 of $2.5 million and $1.1 million, respectively. The increase was primarily due to proceeds from the exercise of common share purchase warrants issued in December 2020 and drawdown of the Vietnam Loan, offset by debt servicing, capital expenditures, cash taxes and manufacturing-related issues of a new consumer product produced by the Asia Pacific Group.

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 March 31, 2021, the Company's CCC was 103 days, compared to 95 days as at December 31, 2020. The increase was mainly due to longer days outstanding in Satcom inventory in the latter part of the first quarter of 2021, which can be attributed to a stronger order book for delivery in the second quarter of 2021.

During the three months ended March 31, 2021, non-cash working capital decreased by $0.5 million. Management considers that the decrease was primarily due to the following factors:

a) Trade payables and accrued liabilities as at March 31, 2021 were $22.7 million compared to $21.2 million as at December 31, 2020. The increase was mainly attributable to extensions in days payable outstanding in the latter part of the first quarter of 2021.

b) Trade receivables as at March 31, 2021 were $19.4 million compared to $20.3 million as at December 31, 2020. The decrease was primarily due to lower sales volumes of Satcom products throughout the first quarter of 2021.

c) Inventories as at March 31, 2021 were $22.1 million compared to $19.7 million as at December 31, 2020. The increase was mainly due to higher inventory at Satcom in the latter part of the first quarter of 2021 as a consequence of a stronger order book for delivery in the second quarter of 2021.

Commitments for capital expenditures

As at March 31, 2021, the Company had made commitments to purchase approximately $1.3 million of equipment for the Massive MIMO factory in Vietnam, and approximately $0.9 million of equipment for all the other subsidiaries.

Credit from banks

As at March 31, 2021, 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 March 31, 2021, the Company's aggregate Credit Facilities were $21.9 million of which $10.7 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 March 31, 2021, $7.0 million was outstanding under the Revolving Facility. 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 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 (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.

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 the senior debt to EBITDA ratio calculated at the end of each quarter, adding a minimum EBITDA (as defined in the Credit Agreement) covenant for the trailing twelve months ended June 30, 2020, adding a minimum liquidity (as defined in the Credit Agreement) covenant until December 31, 2020, a reduction of $2 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 equal to or 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 equal to or more than 2.75:1.00. The Lenders waived compliance with the financial covenants in respect of the fiscal 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 ended 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 the date of this MD&A, the Company and the Lenders have agreed to further amend the Credit Agreement (see "Recent Developments" on page 4 of this MD&A).

Long-term debt

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 $26.4 million. The principal amount under the Term Loan was advanced in United States Dollars at closing and was used to prepay existing indebtedness. Quarterly principal payments in the amount of $0.9 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 defined 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 (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.

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 ended 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 equal to or more than 2.75:1.00. The Lenders waived compliance with the financial covenants in respect of the fiscal 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 on 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 ended 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%.

As at the date of this MD&A, the Company and the Lenders have agreed to further amend the Credit Agreement (see "Recent Developments" on page 4 of this MD&A).

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 in Vietnamese Dong currency equivalent (the "Vietnam Loan"). As at March 31, 2021, $3.1 million 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.

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.

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 on 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.

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 March 31, 2021 and March 31, 2020:

	Number of DSUs	Weighted Average Price
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

	Number of DSUs	Weighted Average Price
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

The Company recognized a DSU expense of less than $0.1 million during the three months ended March 31, 2021, 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 March 31, 2021:

Options grant date	Options granted	Exercise price	Options expiry date	Options vested as at March 31, 2021	Options vested as at December 31, 2020	Options exercised as at March 31, 2021	Options expired as at March 31, 2021	Options surrendered as at March 31, 2021	Outstanding options as at March 31, 2021
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	500,000	-	-	-	500,000
Mar. 10, 2018	30,000	$3.51	Mar. 10, 2023	30,000	20,000	-	-	-	30,000
May 17, 2018	275,000	$3.34	May 17, 2023	131,666	131,666	-	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	72,000	-	90,400	48,600	58,500
Nov. 9, 2018	250,000	$3.84	Nov. 9, 2023	166,666	166,666	-	-	-	250,000
Mar. 25, 2019	325,000	$3.89	Mar. 25, 2024	70,000	35,000	-	150,000	-	175,000
May 21, 2019	270,000	$3.57	May 21, 2024	90,000	90,000	-	-	-	270,000
Aug. 16, 2019	60,000	$3.18	Aug. 16, 2024	20,000	20,000	-	-	-	60,000
Nov. 23, 2020	150,000	$0.87	Nov. 23, 2023	-	-	-	-	-	150,000
	2,767,500			1,541,998	1,496,998	-	448,734	365,266	1,953,500

The Company recognized a stock option expense of $0.1 million during the three months ended March 31, 2021, 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 three months ended March 31, 2020, and no amount was recognized for the three months ended March 31, 2021.

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 less than $0.1 million in G&A expenses for the three months ended March 31, 2021 and March 31, 2020, 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. On February 22, 2021, the Company exercised its right to accelerate the expiry date of the warrants to 30 days after delivery of the notice. As of the expiry date, 3,175,450 of the 3,333,350 warrants were exercised (including those held by the related parties) for proceeds of $3.3 million.

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.

The Advantech Vendor and certain of its affiliates acted as agent for the Company. As at March 31, 2021, $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 three months ended March 31, 2021, the Company recognized revenue of $0.1 million related to the sale of goods to the Advantech Vendor and certain of its affiliates.

The Company did not provide services to the Advantech Vendor or its affiliates during the three months ended March 31, 2021. As at March 31, 2021 and December 31, 2020, $0.4 million was included within trade receivables related to these services.

Alga Microwave

For the three months ended March 31, 2021 and the three months ended March 31, 2020, less than $0.1 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 $1.2 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. In March 2020, Mr. Royer agreed to forego the fee for an unspecified period. For the three months ended March 31, 2021, no amount was paid to Mr. Royer under this agreement.

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, later in 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.

In December 2020, a former employee of Alga Microwave filed an application asserting that he had been constructively dismissed and claiming damages of $0.5 million. The Company is opposing 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.

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 42% and 30% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the three months ended March 31, 2021 and March 31, 2020, 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 its Chinese subsidiary 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, 51,257,994 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 5,125,799 common shares. As at the date of this MD&A, 2,269,196 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.

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 on 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.

As at the date of this MD&A, warrants to purchase up to an aggregate of 882,501 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 March 31, 2021.

No significant changes in the Company's internal controls over financial reporting occurred during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Disclosure Controls and Procedures

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's President and Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Company's disclosure controls and procedures as at March 31, 2021 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.