MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Nine Months Ended September 30, 2021

Dated November 10, 2021

Baylin Technologies Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations For the Three and Nine Months Ended September 30, 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 November 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 and nine months ended September 30, 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 November 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;
    b) Fair value step-up of inventory acquired as part of an acquisition;
    c) Expenses for litigation relating to acquisition agreements;
    d) Expenses relating to planned restructuring post an acquisition;
    e) Impairment on fixed and intangible assets (including goodwill) post an acquisition;
    f) Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions;
    g) Expenses relating to corporate re-organization; and,
    h) 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.

Third Quarter Summary

- Revenue was $30.2 million in the third quarter of 2021, an increase of $8.6 million or 39.7% compared to the second quarter of 2021 despite continued chipset shortages, with increased revenue across all business units as global economies continue to relax COVID-19 restrictions. However, revenue in the third quarter of 2021 decreased by $6.4 million or 17.4% compared to the third quarter of 2020 mainly due to lower Asia Pacific sales, which were inflated in the third quarter of 2020 due to stark recovery in global smartphone sales as a result of the re-opening of commercial cellular stores across North America and Europe.

- Ongoing and implemented cost reduction initiatives continued to yield benefits in the third quarter of 2021 with operating expenses $1.0 million lower than the third quarter of 2020.
- Although Adjusted EBITDA (see "Non-GAAP Measures" on page 2 of this MD&A) for the third quarter of 2021 was negative, Adjusted EBITDA for both August and September was positive, the first months in 2021 of positive Adjusted EBITDA.
- Net cash generated by operating activities was $0.9 million in the third quarter of 2021 through improved operating performance and cash management (compared to net cash used in operating activities of $2.8 million in the second quarter of 2021).
- Baylin corporate backlog of purchase orders is currently at its historically highest level, being led by the Embedded Antenna and Satcom business lines.
- Net cash (see "Non-GAAP Measures" on page 2 of this MD&A) as at September 30, 2021 increased by $5.9 million from December 31, 2020 mainly due to drawdown of the Vietnam Loan, proceeds from the exercise of common share purchase warrants issued in December 2020, proceeds from the private placement in August 2021 and a decrease in non-cash working capital (see "Non-GAAP Measures" on page 2 of this MD&A), offset by operating losses and principal and interest payments.

Recent Developments

Private Placement

The Company completed its previously announced private placement (the "Private Placement") of a minimum of 11,765,000 and a maximum of 17,648,000 common shares of the Company at a price of $0.85 per share in two separate tranches. The first tranche of 11,765,000 common shares was completed on September 1, 2021, resulting in gross proceeds to the Company of approximately $10 million, and the second and final tranche of 5,883,000 common shares was completed on October 21, 2021, resulting in gross proceeds to the Company of approximately $5 million. The Company's largest shareholder, 2385796 Ontario Inc. (the "Insider"), purchased all 11,765,000 common shares in the first tranche and 5,460,192 common shares in the final tranche, with the remaining 422,808 common shares purchased by other insiders of the Company. Mr. Jeffrey C. Royer, Chairman of the Board of Directors of the Company, exercises control and direction over investment decisions of the Insider. All the common shares have been listed on the Toronto Stock Exchange ("TSX").

The Company relied on the "financial hardship" exemption available to it under the rules of the TSX to complete the Private Placement and to permit the Insider to purchase the common shares without the need for the Company to obtain disinterested shareholder approval. As a result of reliance on the exemption, and in accordance with its standard practice, the TSX is reviewing the eligibility of the Company for continued listing of its securities on the TSX and has placed the Company under remedial delisting review. The Company understands that the TSX's principal requirement for continued listing is for the Company to be able to demonstrate that, for the six-month period following its delisting hearing scheduled for early December 2021, it has sufficient cash to pay ongoing expenses, including debt service costs. The Company had approximately $17.7 million in cash and cash equivalents as at September 30, 2021, with additional available liquidity through existing operating facilities of approximately $7.9 million. Net proceeds from the second and final tranche of the Private Placement will further improve liquidity. Provided the Company achieves similar results in the fourth quarter of 2021 comparable to those in the third quarter, and assuming refinancing of the Credit Facilities (see "Credit from banks and loans" on page 13 of this MD&A), the Company expects it will have sufficient cash to pay ongoing expenses, including debt service costs, to June 30, 2022, and therefore it remains confident it will be able to meet the TSX's requirements for continued listing.

Asia Pacific Group

We continued production of an antenna and its housing for use in a consumer product for a major customer, although at declining production volumes as the program comes to an end (expected to be in the first half of 2022) and a second supplier has been contracted by the customer. In the third quarter of 2021, we incurred a loss of $0.3 million on the program principally related to quality issues in inventory; however, through the Company's efforts, we greatly improved the economics of the product in mid-August. At such time the Company ceased to lose money on the product and does not expect any further losses on the program. We are also continuing discussions with our customer to secure other profitable business in 2021 and, importantly, in 2022.

SELECTED FINANCIAL INFORMATION

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

(in $000's except per share amounts)

	Three Months Ended September 30,		**Nine Months Ended September 30,**		**Year Ended December 31,**
	2021	**2020**	**2021**	**2020**	**2020**
	$	**$**	**$**	**$**	**$**
Revenue	30,216	36,577	75,298	94,148	119,739
Gross profit	6,282	10,399	6,330	28,676	35,401
Loss before income taxes	(5,036)	(2,169)	(47,461)	(9,529)	(17,811)
Income tax recovery	(138)	(1,804)	(166)	(1,996)	(887)
Net loss	(4,898)	(365)	(47,295)	(7,533)	(16,924)
Basic and diluted net loss per share	($0.07)	($0.01)	($0.84)	($0.18)	($0.42)
EBITDA	(1,222)	2,278	(33,825)	3,988	-
Adjusted EBITDA	(682)	3,582	(15,660)	6,795	6,350
Current assets	57,104	67,860	57,104	67,860	58,021
Total assets	110,166	151,292	110,166	151,292	133,473
Current liabilities	45,745	48,110	45,745	48,110	36,470
Non-current liabilities	36,903	49,146	36,903	49,146	48,140
Total liabilities	82,648	97,256	82,648	97,256	84,610

OUTLOOK

The Company’s business continues to face challenges brought about by the COVID-19 pandemic and in particular shortages from supply chain disruptions. We expect that these issues will continue for the balance of 2021 and into 2022. The business is also managing the impacts to suppliers due to power rationing in China. We continue to expect second-half revenue and Adjusted EBITDA to show an improvement over the first half. Travel restrictions continue to hamper some activities as well as international travel.

MMU Facility

Our MMU facility in Vietnam continues to experience delays in the final commissioning and approval of the facility, in part due to the effect of COVID-19 related travel restrictions, which have prevented engineers from outside Vietnam travelling to Vietnam to complete the installation and inspection of testing equipment. Over the course of the delay, our customer’s sales of their MMU product have softened significantly. This has led to a lower forecast through mid-year 2022 as well as a redesign of the product by our customer to reduce complexity and their cost structure. We now do not expect the facility to be production-ready for its intended purpose at any time in the next six months, and in light of market conditions and changes to the product design, we will be assessing the long-term strategic options for this facility over the next quarter.

Satcom Group

The commercial side of the Satcom business line, which represents a majority of its business, continues to feel the effects of the downturn due to the impact of COVID-19. Although there are clear signs of recovery, we expect capital spending by our commercial customers to remain constrained for the remainder of 2021 until a more sustained recovery becomes evident. Similarly, the recently completed C-band spectrum auction in the United States will eventually open up opportunities with the satellite operators once they receive incentive payments based on clearing their C-band spectrum. However, those payments will not be made until the blocks of spectrum are cleared and certified by the FCC. For that reason, any benefit to the Satcom business line from the build-out of the related C-band infrastructure is not expected to begin to be realized until the second half of 2022, at the earliest.

We expect sales for military and other government-related uses, which represents the balance of Satcom’s business, to remain firm during the remainder of 2021. The launch of our new Ultra High-Power Summit II solid state power amplifiers in June 2021 has demonstrated this product’s unique competitive differentiation. We believe there is no other platform in the market that can deliver the capabilities of our Summit II and that over time it will provide additional opportunities for the Company.

Overall, we expect revenue of the Satcom business line to be stronger in the second half of 2021 as certain industries start to invest as the world comes out of the COVID-19 pandemic. The Satcom business line continues to show a strong order book but is facing supply chain constraints and a push-out of customer orders.

Wireless Infrastructure Group

The Wireless Infrastructure business line continues to be adversely affected by the delayed timing of in-building and small cell deployments due to the COVID-19 impact and increases in freight costs due to supply chain constraints. Nevertheless, revenue for the third quarter of 2021 was in line with the Company's expectations, although the fourth quarter revenue is expected to be lower than the third quarter.

Embedded Antenna Group

The Embedded Antenna business line continues its stable performance. Despite a significant chipset shortage in 2021, which impacted its customers' build schedules and forecasts, this business line showed a significant increase in both revenue and volume in the third quarter of 2021, which is expected to continue in the fourth quarter based on increased availability of global chipsets. The Embedded Antenna business line continues to demonstrate a strong order book despite the supply chain challenges.

DISCUSSION OF OPERATIONS

Description of Operations

<u>Galtronics</u>

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

a) The Asia Pacific Group works with original equipment manufacturer ("OEM") customers to design and produce antennas for mobile phones, smartphones and tablets. Asia Pacific volumes are produced at the Company's plant in Vietnam, taking advantage of a lower cost structure.
b) The Embedded Antenna Group works with OEM customers to design and produce antennas for Wi-Fi routers, set-top boxes, home networking devices and land mobile radio products. Embedded Antenna volumes are produced at the Company's plant in China.
c) The Wireless Infrastructure Group works with network carrier customers and other businesses to design and produce small cell system antennas, DAS and BSA that support wireless coverage and mobile data capacity requirements. Wireless Infrastructure volumes are produced at the Company's plant in China.

<u>Satcom</u>

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

a) The Advantech Wireless line of business designs and manufactures customizable satellite radio frequency and terrestrial microwave products for highly specialized wireless communications markets, including:

    - *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.

At the end of the third quarter of 2021, the Alga Microwave business line was successfully and completely integrated into the Advantech Wireless business line. The brand will remain in production as it is important for specific customer segments.

The combined 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 8,000+ watts; and,
- *Passive Components:* 500 MHz to 80 GHz passive RF components include filters, diplexers, combiners/ dividers.

Baylin Revenue and Gross Profit

(in $000's)

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Revenue	**30,216**	**36,577**	**(17.4%)**	**75,298**	**94,148**	**(20.0%)**
Cost of sales	23,934	26,178	(8.6%)	68,968	65,472	5.3%
Gross profit	**6,282**	**10,399**	**(39.6%)**	**6,330**	**28,676**	**(77.9%)**
Gross margin	20.8%	28.4%		8.4%	30.5%	

a) Factors affecting Revenue and Gross Profit (Loss)

The Company's revenue is derived from the sale of wireless and satellite 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 satellite radio frequency and microwave products such as amplifiers, converters, filters, 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 (loss) is impacted by selling prices, sales volumes, product mix and variable costs of goods sold (being direct materials and direct labour).

b) Fiscal 2021 compared to Fiscal 2020

The Company's revenue was $30.2 million in the third quarter of 2021 compared to $36.6 million in the third quarter of 2020, representing a decrease of $6.4 million or 17.4%. The decrease was primarily due to softer sales of the Asia Pacific business line which were inflated in the third quarter of 2020 due to the recovery in smartphone sales as a consequence to the re-opening of commercial cellular stores across North America and Europe. Satcom revenue was also down in the third quarter of 2021 in part due to supply side challenges despite continued growth in backlog.

The Company's revenue for the nine months ended September 30, 2021 was $75.3 million compared to $94.1 million for the nine months ended September 30, 2020, representing a decrease of $18.9 million or 20.0%. The decrease was due to softer sales across all business lines in the nine months ended September 30, 2021 under the combined impact of the COVID-19 pandemic and global chipset shortage.

The Company's gross profit was $6.3 million in the third quarter of 2021 compared to $10.4 million in the third quarter of 2020. Gross margin was 20.8% in the third quarter of 2021 compared to 28.4% in the third quarter of 2020. Gross margin was mainly impacted in the third quarter of 2021 by the continued impact of the consumer product produced by the Asia Pacific business line. However, this product delivered a significantly reduced gross loss of $0.3 million in the third quarter of 2021 compared to the gross loss of $2.0 million in the second quarter of 2021.

The Company's gross profit for the nine months ended September 30, 2021 was $6.3 million (8.4% of revenue) compared to $28.7 million (30.5% of revenue) for the nine months ended September 30, 2020. The decrease was primarily due to a write-down of $5.6 million against inventory in the Satcom business line, an accumulated loss of $4.3 million on a consumer product in the Asia Pacific business line and lower gross margins generated by the Asia Pacific business line as a result of lower margin products making up a larger portion of the remaining gross profit.

Selling and Marketing Expenses

(in $000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Payroll	1,495	1,854	(19.4%)	4,647	5,303	(12.4%)
Other	43	633	(93.2%)	1,098	2,193	(49.9%)
Total	**1,538**	**2,487**	**(38.2%)**	**5,745**	**7,496**	**(23.4%)**
As a percentage of revenue	5.1%	6.8%		7.6%	8.0%	

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) *Fiscal 2021 compared to Fiscal 2020*

The Company's selling and marketing expenses in the third quarter of 2021 were $1.5 million (5.1% of revenue) compared to $2.5 million (6.8% of revenue) in the third quarter of 2020. The decrease was primarily due to lower salaries and benefits expenses in the third quarter of 2021 as a result of lower headcount of salespeople compared to the prior year period, as well as increased government stimulus received.

The Company's selling and marketing expenses for the nine months ended September 30, 2021 were $5.7 million compared to $7.5 million for the nine months ended September 30, 2020. The decrease was due to the reasons noted above, as well as $0.4 million increased government stimulus received in the nine months ended September 30, 2021 relating to COVID-19 relief such as wage and rent subsidies in Canada under the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy (see "Government Assistance Programs" on page 9 of this MD&A).

Research and Development Expenses

(in $000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Development costs	2,477	2,949	(16.0%)	10,392	8,876	17.1%
Depreciation	81	98	(17.3%)	268	277	(3.2%)
Total	**2,558**	**3,047**	**(16.0%)**	**10,660**	**9,153**	**16.5%**
As a percentage of revenue	8.5%	8.3%		14.2%	9.7%	

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) Fiscal 2021 compared to Fiscal 2020

The Company's R&D expenses in the third quarter of 2021 were $2.6 million (8.5% of revenue) compared to $3.0 million (8.3% of revenue) in the third quarter of 2020. The decrease was mainly attributable to lower development costs such as consulting fee expenditures in the third quarter of 2021 as a result of cost reduction measures compared to the prior year period, as well as increased government stimulus received.

The Company's R&D expenses for the nine months ended September 30, 2021 were $10.7 million compared to $9.2 million for the nine months ended September 30, 2020. The increase was due to a one-time adjustment for lower Scientific Research and Experimental Development tax incentives in Satcom in the second quarter of 2021, cessation of the capitalization of Asia Pacific engineering development costs starting from the second quarter of 2021, and $0.9 million lower government stimulus received in the nine months ended September 30, 2021 relating to COVID-19 relief (see "Government Assistance Programs" on page 9 of this MD&A).

General and Administrative Expenses

(in $000's)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Payroll	1,832	2,186	(16.2%)	5,581	6,800	(17.9%)
Other	2,461	1,505	63.5%	5,100	4,538	12.4%
Depreciation	550	631	(12.8%)	1,619	1,956	(17.2%)
Amortization	1,229	1,301	(5.5%)	3,760	3,910	(3.8%)
Total	**6,072**	**5,623**	**8.0%**	**16,060**	**17,204**	**(6.6%)**
As a percentage of revenue	20.1%	15.4%		21.3%	18.3%	

a) Factors affecting General and Administrative Expenses

The Company's general and administrative ("G&A") expenses consist of costs relating to human resources, legal and finance, professional fees, insurance, other corporate expenses and amortization of intangibles.

b) Fiscal 2021 compared to Fiscal 2020

The Company's G&A expenses in the third quarter of 2021 were $6.1 million (20.1% of revenue) compared to $5.6 million (15.4% of revenue) in the third quarter of 2020. The decrease in payroll costs was primarily due to lower salaries and benefits expenses in the third quarter of 2021 as a result of lower headcount compared to the prior year period. The increase in other G&A expenses of $1.0 million was due to a reclassification of government stimulus received in the nine months ended September 30, 2021 from General and Administrative expenses to Research and Development and Selling and Marketing expenses.

The Company's G&A expenses for the nine months ended September 30, 2021 were $16.1 million compared to $17.2 million for the nine months ended September 30, 2020. The decrease was primarily attributable to lower headcount, impact of cost reduction measures, as well as $0.8 million increased government stimulus received in the nine months ended September 30, 2021 relating to COVID-19 relief (see "Government Assistance Programs" on page 9 of this MD&A), somewhat offset by the increase in severance cost which was mainly paid to the Company's former CEO and CFO in the first half of 2021.

Government Assistance Programs

(in $000's)

		Three Months Ended September 30,			Nine Months Ended September 30,		
		2021	**2020**	**Change**	**2021**	**2020**	**Change**
		$	**$**	**%**	**$**	**$**	**%**
Canada Emergency Wage/ Rent Subsidy	Canada	267	169	58.0%	2,204	890	147.6%
Paycheck Protection Program	USA	-	192	(100.0%)	938	1,291	(27.3%)

Social Benefit Rate Reductions	China	-	-	N/A	-	620	(100.0%)
Total		**267**	**361**	**(26.0%)**	**3,142**	**2,801**	**12.2%**

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 September 30,			**Nine Months Ended September 30,**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Operating loss	**(3,886)**	**(758)**	**412.7%**	**(42,043)**	**(5,177)**	**712.1%**
Depreciation and amortization	2,664	3,036	(12.3%)	8,218	9,165	(10.3%)
EBITDA	**(1,222)**	**2,278**	**(153.6%)**	**(33,825)**	**3,988**	**(948.2%)**
Adjustments to EBITDA	540	1,304	(58.6%)	18,165	2,807	547.1%
Adjusted EBITDA	**(682)**	**3,582**	**(119.0%)**	**(15,660)**	**6,795**	**(330.5%)**

Adjustments to EBITDA

(in $000's)

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Acquisition expenses	-	-	N/A	-	-	N/A
Fair value step-up of inventory acquired as part of an acquisition	-	-	N/A	-	-	N/A
Expenses for litigation relating to acquisition agreements	10	76	(86.8%)	367	243	51.0%
Expenses relating to planned restructuring post an acquisition	41	83	(50.6%)	100	335	(70.1%)
Impairment on fixed and intangible assets (including goodwill) post an acquisition	-	-	N/A	15,908	-	N/A
Expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions	216	662	(67.4%)	1,102	1,086	1.5%
Corporate re-organization expenses	-	22	(100.0%)	12	120	(90.0%)
Non-cash compensation	273	461	(40.8%)	676	1,023	(33.9%)
Total	**540**	**1,304**	**(58.6%)**	**18,165**	**2,807**	**547.1%**

a) Factors affecting Operating Loss, EBITDA and Adjusted EBITDA

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

b) Fiscal 2021 compared to Fiscal 2020

The Company's operating loss in the third quarter of 2021 was $3.9 million compared to the operating loss of $0.8 million in the third quarter of 2020. The increase in operating loss in the third quarter of 2021 was mainly due to lower revenue and gross margin which were higher in the prior year period due to stark recovery in global smartphone sales as a result of the re-opening of commercial cellular stores across North America and Europe, somewhat offset by lower operating expenses compared to the prior year period. The Company's operating loss of $3.9 million in the third quarter of 2021 was considerably better than the second quarter of 2021 in which the operating loss less goodwill impairment was $16.7 million.

The Company's operating loss for the nine months ended September 30, 2021 was $42.0 million compared to the operating loss of $5.2 million for the nine months ended September 30, 2020. The increase in operating loss in the nine months ended September 30, 2021 was primarily due to the impairment to goodwill and lower revenue and gross margin, somewhat offset by lower operating expenses compared to the prior year period.

The Company's Adjusted EBITDA in the third quarter of 2021 was -$0.7 million compared to $3.6 million in the third quarter of 2020 and compared to -$12.7 million in the second quarter of 2021. Adjustments to EBITDA amounting to $0.5 million in the third quarter of 2021 are detailed in the chart above.

The Company's Adjusted EBITDA for the nine months ended September 30, 2021 was -$15.7 million compared to $6.8 million for the nine months ended September 30, 2020. Adjustments to EBITDA amounting to $18.2 million in the nine months ended September 30, 2021 are detailed in the chart above.

Net Loss

(in $000's except per share amounts)

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Loss before income taxes	(5,036)	(2,169)	132.2%	(47,461)	(9,529)	398.1%
Income tax recovery	(138)	(1,804)	(92.4%)	(166)	(1,996)	(91.7%)
Net loss	**(4,898)**	**(365)**	**1241.9%**	**(47,295)**	**(7,533)**	**527.8%**
Basic and diluted net loss per share	($0.07)	($0.01)		($0.84)	($0.18)	

a) *Factors affecting Net Loss*

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

b) *Fiscal 2021 compared to Fiscal 2020*

The Company's net loss in the third quarter of 2021 was $4.9 million compared to the net loss of $0.4 million in the third quarter of 2020. The net loss in the third quarter of 2021 was primarily due to the operating loss and adjustments to EBITDA noted above. On a per share basis, the third quarter of 2021 produced a net loss of $0.07 per share compared to a net loss of $0.01 per share in the third quarter of 2020.

The Company's net loss for the nine months ended September 30, 2021 was $47.3 million compared to the net loss of $7.5 million for the nine months ended September 30, 2020. The net loss in the nine months ended September 30, 2021 was mainly due to the reasons noted above, as well as a goodwill impairment charge of $15.9 million and a fair value adjustment to the Debentures. On a per share basis, the nine months ended September 30, 2021 generated a net loss of $0.84 per share compared to a net loss of $0.18 per share for the nine months ended September 30, 2020.

SUMMARY OF QUARTERLY RESULTS

(in $000's except per share amounts)

	Three Months Ended			
	December 31, 2020	**March 31, 2021**	**June 30, 2021**	**September 30, 2021**
	$	**$**	**$**	**$**
Revenue	25,591	23,460	21,622	30,216
Gross profit	6,725	3,597	(3,549)	6,282
EBITDA	(3,988)	(2,716)	(29,887)	(1,222)
Adjusted EBITDA	(445)	(2,257)	(12,721)	(682)
Net loss	(9,391)	(8,462)	(33,935)	(4,898)
Basic and diluted net loss per share	($0.23)	($0.17)	($0.64)	($0.07)
Current assets	58,021	61,261	48,087	57,104
Total assets	133,473	133,629	102,127	110,166
Current liabilities	36,470	55,647	57,794	45,745
Total liabilities	84,610	89,993	80,338	82,648

(in $000's except per share amounts)

	Three Months Ended			
	December 31, 2019	**March 31, 2020**	**June 30, 2020**	**September 30, 2020**
	$	**$**	**$**	**$**
Revenue	30,029	26,942	30,629	36,577
Gross profit	10,752	8,599	9,678	10,399
EBITDA	(12,682)	(195)	1,905	2,278
Adjusted EBITDA (2019: revised to include non-cash compensation)	2,140	555	2,658	3,582
Net loss	(14,649)	(2,461)	(4,707)	(365)
Basic and diluted net loss per share	($0.36)	($0.06)	($0.12)	($0.01)
Current assets	64,293	64,963	68,535	67,860
Total assets	147,557	151,996	152,011	151,292
Current liabilities	36,848	63,732	45,307	48,110
Total liabilities	88,676	92,500	97,496	97,256

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 September 30, 2021	**As at December 31, 2020**
	$	**$**
Cash and cash equivalents	17,677	11,205
Less: Credit from banks	(10,675)	(10,129)
Net Cash	**7,002**	**1,076**

The Company had net cash at September 30, 2021 and December 31, 2020 of $7.0 million and $1.1 million, respectively. The increase was primarily due to proceeds from the equity issuance in August 2021, proceeds from the exercise of common share purchase warrants issued in December 2020, drawdown of the Vietnam Loan and a decrease in non-cash working capital, offset by operating losses and principal and interest payments.

The Company recently raised approximately $15 million in a private placement of 17,648,000 common shares, which was completed in two tranches on September 1, 2021 and October 21, 2021. The Company had approximately $17.7 million in cash and cash equivalents as at September 30, 2021, with additional available liquidity through existing credit facilities of approximately $7.9 million. Net proceeds from the second and final tranche of the Private Placement will further improve liquidity. Provided the Company achieves similar results in the fourth quarter of 2021 comparable to those in the third quarter, and assuming refinancing of the Credit Facilities, the Company expects it will have sufficient cash to pay ongoing expenses, including debt service costs, to June 30, 2022.

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 September 30, 2021, the Company's CCC was 38 days compared to 95 days as at December 31, 2020. The decrease was primarily due to the provision on inventories.

During the nine months ended September 30, 2021, non-cash working capital decreased by $9.5 million. Management considers that the decrease was primarily due to the following factors:

a) Trade payables and accrued liabilities as at September 30, 2021 were $28.5 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 third quarter of 2021.

b) Trade receivables as at September 30, 2021 were $19.9 million compared to $20.3 million as at December 31, 2020. Higher revenues were largely generated by customers with more favourable terms resulting in slightly lower trade receivable balance despite the higher revenues.

c) Inventories as at September 30, 2021 were $14.6 million compared to $19.7 million as at December 31, 2020. The decrease was mainly due to the provision on Satcom inventories.

Commitments for capital expenditures

As at September 30, 2021, the Company had previously made commitments to purchase approximately $1.3 million of equipment for the Massive MIMO factory in Vietnam, and approximately $0.2 million of equipment for all the other subsidiaries.

Credit from banks and loans

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 in favour of the Company: a revolving credit facility (the "Revolving Facility") for up to $20.0 million; and, a term credit facility ("Term Loan") for up to $26.8 million.

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. As at September 30, 2021, the interest rate on the Revolving Facility was 6.25% on United States Dollar advances, 4.95% on Canadian Dollar advances and 3.59% on LIBO Rate advances. As at September 30, 2021, the standby fee on the undrawn portion of the Revolving Facility was 0.70%. As at September 30, 2021, the interest rate on the Term Loan was 3.65%.

The Company may draw on its available revolving credit facilities under the Revolving Facility as well as the revolving credit facilities with the banks domiciled in China and South Korea, as needed. As at September 30, 2021, the Company's aggregate revolving credit facilities were $19.0 million, of which $10.7 million was drawn and utilized. As at September 30, 2021, $7.1 million was outstanding under the Revolving Facility.

The principal amount under the Term Loan was fully advanced in United States Dollars and was used to repay existing indebtedness. Quarterly principal repayments in the amount of $1.0 million commenced on June 30, 2019, with the scheduled principal repayments for June 30 and September 30, 2020 being deferred with the consent of the Lenders. The interest rate on the Term Loan is determined based on the LIBO Rate (as defined in the Credit Agreement), the applicable margin and the Company's Senior Debt to EBITDA ratio (as defined in the Credit Agreement) and is payable quarterly in arrears.

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. The Revolving Facility and Term Loan (together, the "Credit Facilities") mature on March 29, 2022.

The Credit Facilities are guaranteed by the Company's principal operating subsidiaries (other than those in Vietnam) and are secured by substantially all the assets of the Company and the guarantors. The Credit Agreement includes certain financial covenants, including a Senior Debt to Equity Ratio and Fixed Charge Coverage Ratio (as defined in the Credit Agreement), calculated on a quarterly basis, minimum EBITDA (as defined in the Credit Agreement) and minimum Liquidity (as defined in the Credit Agreement). The Credit Agreement also includes other customary positive and negative covenants (including limitations on dispositions, additional debt, investments, financial assistance, distributions, capital expenditures and changes to the business), and events of default.

The Credit Agreement has previously been amended, most recently as of October 12, 2021. The effect of these amendments is that:

a) for the period from June 30 to December 31, 2021, there is no Senior Debt to EBITDA Ratio covenant, and for the quarters ending March 31, 2022 and following, the Senior Debt to EBITDA Ratio will be 3.00:1.00;
b) for the quarters ending December 31, 2021 and following, the Fixed Charge Coverage Ratio remains at 1.15:1.00 but with the 12-month calculation period for determining compliance with the ratio to commence on July 1, 2021 on a cumulative basis;
c) there is no minimum EBITDA covenant;
d) the Company is required at all times to maintain a minimum Liquidity of $10 million;
e) the maximum availability under the Revolving Facility has been reduced to $15 million;
f) 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 has been increased by 0.25%; and,
g) 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 has been increased by 0.05%.

The amendments also included waivers of compliance with certain financial covenants for the quarters ended March 31 and June 30, 2021.

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 September 30, 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 semi-annually in arrears. The Vietnam Loan matures on February 18, 2024 and 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 (each 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 semi-annually in arrears on June 30 and December 31 of each year and mature on July 10, 2023 (the "Maturity Date").

The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the 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 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 (as defined in the Indenture). 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.

Following approval of the holders of Debentures on April 8, 2021 and of the shareholders of the Company on May 11, 2021, the Indenture was amended (the "Amendment") to reduce, for a period of 30 days, the Conversion Price from $3.85 to $1.11, the current market price of the common shares at the time the Amendment become effective on May 19, 2021 determined in accordance with the Amendment (the "New Conversion Price"). The terms of the Debentures otherwise remained unchanged. As a result of the Amendment, holders of $12.135 million principal amount of the Debentures converted their Debentures into 10,932,429 common shares of the Company at the New Conversion Price, leaving $5.115 million of the Debentures outstanding. The 30-day period during which the New Conversion Price remained in effect ended on June 18, 2021, following which the Conversion Price reverted to $3.85.

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

The Debentures are classified as financial liabilities at fair value through profit or loss and are measured at fair value with changes recognized in the consolidated statement of net income (loss). Further details of the Debentures are set out in the Indenture filed under the Company's profile on SEDAR at www.sedar.com.

SHARE-BASED PAYMENTS

Omnibus Equity Incentive Plan

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

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

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

The following table lists the number of DSUs outstanding as at September 30, 2021 and September 30, 2020:

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2020	395,449	$2.51
DSUs granted during 2020	137,545	$1.24
DSUs redeemed during 2020	(52,759)	$2.10
DSUs outstanding as at September 30, 2020	480,235	$2.20

	Number of DSUs	Weighted Average Price
DSUs outstanding as at January 1, 2021	583,106	$1.96
DSUs granted during 2021	273,369	$1.06
DSUs redeemed during 2021	(29,934)	$3.15
DSUs outstanding as at September 30, 2021	826,541	$1.52

The Company recognized a DSU expense of $0.3 million during the nine months ended September 30, 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 September 30, 2021:

				Options vested as at		Options expired or surrendered as at	Options net outstanding as at
Options grant date	Options granted	Exercise price	Options expiry date	September 30, 2021	December 31, 2020	September 30, 2021	September 30, 2021
Mar. 30, 2017	685,000	$1.98	Mar. 30, 2022	456,666	456,666	435,000	250,000
Aug. 8, 2017	500,000	$2.00	Aug. 8, 2022	500,000	500,000	200,000	300,000
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	181,666	131,666	65,000	210,000
May 22, 2018	25,000	$3.34	May 22, 2023	5,000	5,000	25,000	-
Jul. 11, 2018	197,500	$3.50	Jul. 11, 2023	81,200	72,000	151,500	46,000
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	180,000	90,000	-	270,000
Aug. 16, 2019	60,000	$3.18	Aug. 16, 2024	40,000	20,000	-	60,000
Nov. 23, 2020	150,000	$0.87	Nov. 23, 2025	-	-	-	150,000
Jun. 21, 2021	900,000	$1.05	Jun. 21, 2026	-	-	-	900,000
Aug. 23, 2021	75,000	$0.78	Aug. 23, 2026	-	-	-	75,000
	3,742,500			1,711,198	1,496,998	1,026,500	2,716,000

The Company recognized a stock option expense of $0.3 million during the nine months ended September 30, 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 nine months ended September 30, 2020, and no amount was recognized for the nine months ended September 30, 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 nine months ended September 30, 2021 and September 30, 2020, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Private Placements

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 former 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 and the unexercised warrants expired.

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 September 30, 2021, $2.4 million was due to the Company and included in trade receivables and $1.5 million was due to the agent and included in accounts payable and accrued liabilities.

During the nine months ended September 30, 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 nine months ended September 30, 2021. As at September 30, 2021 and December 31, 2020, $0.4 million was included within trade receivables related to these services.

Alga Microwave

For the nine months ended September 30, 2021 and the nine months ended September 30, 2020, $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 $3.8 million for the nine months ended September 30, 2021 compared to $4.5 million for the nine months ended

September 30, 2020. 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 $75,000 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. For the nine months ended September 30, 2021, the Company paid $25,000 in cash to Mr. Royer under this agreement.

2385796 Ontario Inc. (the "Insider"), the Company's largest shareholder, purchased 17,225,192 common shares in the Private Placement (see "Private Placement" on page 4 of this MD&A). Mr. Royer exercises control and direction over investment decisions of the Insider.

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 June 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. On July 29, 2021, the Supreme Court of Canada denied (with costs) the Advantech Vendor's application for leave to appeal the judgment of the Court of Appeal.

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

In the case of the Company's claims under the asset purchase agreement for breaches of representations related to working capital and closing inventory levels, documentary discovery is currently being conducted and oral discovery is expected to occur, once scheduled, in 2022.

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 and has cross-claimed against the former employee. Alga Microwave made a separate claim against the former employee and others, claiming damages for approximately $2 million, alleging, among other things, a conspiracy to damage Alga Microwave's business, wrongful interference with Alga Microwave's economic relations and breach of fiduciary duty. The defendants in the previous action have started a separate proceeding against Alga Microwave and others claiming the previous action is an abuse of procedure. These four actions have now been joined in one proceeding.

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 39% and 36% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the nine months ended September 30, 2021 and September 30, 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 whether there would be sales volume and project deployment delays which would adversely affect future cash flows and liquidity.

Going concern risk

Management regularly reviews and makes an assessment of the Company's ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account known future information, including whether events or conditions create material uncertainties that may cast significant doubt on the ability to continue as a going concern. In assessing the Company's ability to continue as a going concern, management has a reasonable expectation that the Company will be able (i) to fund operating and debt service requirements for the next 12 months; and, (ii) to refinance the Revolving Facility and Term Loan when they mature on March 29, 2022.

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were issued and outstanding:

- 80,095,014 common shares;
- $5.115 million principal amount of Debentures; and,
- warrants to purchase up to an aggregate of 882,501 common shares.

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 8,009,501 common shares. As at the date of this MD&A, 4,461,962 common shares are available to be issued under the Omnibus Plan.

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.

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 September 30, 2021.

No significant changes in the Company's internal controls over financial reporting occurred during the three months ended September 30, 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 acting Chief Financial Officer have each evaluated the design of the Company's disclosure controls and procedures as at September 30, 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.