



Management’s Discussion & Analysis of Financial Conditions and Results of Operations

This management discussion and analysis focuses on key statistics from the unaudited interim consolidated financial statements and pertains to known risks and uncertainties relating to the telecommunications and consulting industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations has been prepared as of November 15, 2017, for the three and nine months ended September 30, 2017 and should be read in conjunction with the unaudited interim consolidated financial statements and related notes and material contained in other parts of this quarterly report. It should also be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016.

Additional information related to the Corporation is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements in this MD&A and associated notes and financial statements may be considered “forward-looking” within the meaning of applicable securities laws. These statements reflect the Corporation’s plans and expectations based on our experience, interpretation of past trends, key assumptions and other relevant information available at the date that such statements are made.

The statements involve business, economic and competitive risks, uncertainties and contingencies. There is significant risk that predictions, projections or conclusions will not prove to be accurate and actual results may differ materially from estimates, expectations, or intentions expressed.

The forward-looking statements in this MD&A and associated notes and financial statements are based on what we believe are reasonable assumptions, however we caution readers not to place undue reliance on our forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by securities law.

Business Overview

NTG Clarity is a Canadian publicly traded company (TSXV:NCI) that provides telecommunications engineering, Information Technology, networking and related software solutions. We have been developing niche software products directed at telecom service providers and utilities markets since our inception in 1992. We also provide professional services and managed services to this same vertical.

We are headquartered in Toronto, Canada and have subsidiaries in Cairo, Egypt and the USA, and branch offices in Riyadh, Saudi Arabia; Oman and Kuwait. The Company is organized into two business segments: the Canadian segment, which is made up of activities in Canada and our branch offices in Saudi Arabia, Oman and Kuwait; and the Egypt segment, which is our software development group and now provides professional services to customers in Egypt.

At the end of 2016 and throughout 2017, we have focused efforts on reducing our costs. We can see the effects of these measures in Q3 2017, however we still have significant challenges in terms of cash flow

and finding additional sources of equity/capital to support ongoing operations. We are also focusing on collections and increasing sales to relieve cash flow challenges.

Though development of our software product, StageEM was discontinued, we are actively promoting StageEM for sale.

Egypt

Egypt continues to be a challenging place to do business with continued restrictions on using foreign currency for business operations, and on moving funds out of the country. With the devaluation of the currency in November 2016, the inflation rate continues to range between 29-31%¹. Interest rates remained steady this quarter at 18.75%.² EDC's Country Summary Report continues to give Egypt a high risk rating for short-term, indicating that since Egypt adopted a free floating currency in November 2016, the currency has depreciated considerably³. Payment experience remains positive.

Growth opportunities have arisen as many international companies are reluctant to do business in the local currency. Customers paying for products and services in foreign currencies have found their costs more than doubled and are therefore looking for local vendors, such as NTG, who are less expensive and who accept local currency. We continue to mitigate some of the risks of doing business in the country as our expenses and the majority of our contracts in Egypt are both in the local currency.

NTG Egypt contributed 15% of the Corporation's revenue year to date (YTD 2016: 23%. Note this was before the devaluation of the local currency). Unconsolidated, NTG Egypt's revenue increased 27% over YTD 2016.

We continue to insure the receivables and work in progress for three of NTG Egypt's tier 1 telecom customers through EDC. These customers were responsible for approximately 67% of NTG Egypt's revenue and 45% of Egypt's receivables at September 30, 2017. Additionally, we have Foreign Funds Insurance, supported by EDC, which insures against possible asset and bank deposit appropriation in Egypt.

Saudi Arabia

Saudi Arabia (KSA) continues to have challenges with lower oil prices and is expected to see minimal growth. Saudi now has a medium short term risk rating from EDC. Despite the fiscal deficit, "FX reserves are expected to cover 27 months of imports in 2017 , more than enough to support the riyal's peg to the USD."⁴ Though KSA did obtain international financing in 2016, "...the Kingdom's external debt remains at negligible levels, and foreign exchange reserves exceed the country's total stock of private and public foreign debt by a factor of two."⁵ In the medium-long term, commercial risk remains low.

Ongoing initiatives continue to show returns with 49% of our professional service work and 51% of revenue being from KSA. NTG has developed a good brand recognition and a solid track record over the years, which will be an asset in our future growth and return to profitability.

Kuwait and Oman

From our office in Kuwait, we are actively pursuing new opportunities with existing and potential new customers. In Q3 2017, we continue work on a Smart Building Systems project valued at approximately

¹ <http://www.tradingeconomics.com/egypt/inflation-cpi>

² <http://www.tradingeconomics.com/egypt/interest-rate>

³ <https://exportwise.ca/crq-country-profiles/>; select Egypt

⁴ <https://exportwise.ca/crq-country-profiles/>, select Saudi Arabia

⁵ IBID

\$753,000. Subsequent to quarter end, in October 2017, we signed a significant frame agreement contract with an operator in the Gulf region, to provide professional services to this new customer.

Kuwait has contributed 29% to NTG's revenue in Q3 2017 (Q3 2016: 19%). We continue to work on a list of opportunities for services and products in the telecom, smart building and government sectors.

In Q3 2017, we continue work for our customer in Oman which is using our NTS Network Inventory and Project Management modules. Work includes change requests and ongoing maintenance/support.

Outlook

Looking towards the future, we remain committed to bring NTG back to profitability in 2017. We will also focus on capitalizing on the goodwill we have with our existing customers to expand our business. We are also marketing our products NTS, StageEM and Voice Over WiFi, which are currently in demand and have higher margins.

As in the past, our ability to generate positive operating cash flows, and report strong revenues and earnings are all critical to our success. We are confident that we have the management team with the experience and resources to fulfill our vision of growth and profitability.

Summary of Quarterly Results

Historically, NTG's operating results have fluctuated due to the timing of new contracts and their corresponding billing, as well as billing for software licenses which can result in larger sales orders in any one quarter. We expect this trend to continue.

The Q3 2017 revenue was similar to Q3 2016. Net income has improved over the past quarters as we continue to work to reduce G&A costs, as contracts allow, and to optimize costs, based on our revenue.

The following table shows a summary of our eleven most recent quarters (in Canadian dollars).

2017	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 3,007,929	\$ (752,579)	\$ (0.018)	\$ (0.017)	\$ 8,310,716
Quarter Two	4,148,957	(85,539)	(0.002)	(0.002)	8,511,716
Quarter Three	3,309,135	131,308	0.003	0.003	8,954,443
TOTAL	\$ 10,466,021	\$ (706,810)	\$ (0.017)	\$ (0.016)	\$ 8,954,443

2016	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 2,433,333	\$ (1,986,457)	\$ (0.05)	\$ (0.04)	\$ 15,913,024
Quarter Two	5,077,129	(1,009,297)	(0.03)	(0.03)	15,184,183
Quarter Three	3,262,742	(881,497)	(0.024)	(0.022)	15,944,009
Quarter Four	599,251	(8,649,236)	(0.25)	(0.22)	8,397,344
TOTAL	\$ 11,372,455	\$ (12,526,487)	\$ (0.354)	\$ (0.312)	\$ 8,397,344

2015	Revenue	Net Income (Loss)	Profit (Loss) per Share	Diluted Profit per Share	Total Assets
Quarter One	\$ 5,002,161	\$ 722,489	\$ 0.02	\$ 0.02	\$ 15,884,333
Quarter Two	3,031,041	166,270	0.00	0.00	14,892,004
Quarter Three	3,626,919	254,260	0.01	0.01	16,251,546
Quarter Four	3,872,393	(774,576)	(0.02)	(0.02)	16,812,328
TOTAL	\$ 15,532,201	\$ 368,443	\$ 0.01	\$ 0.01	\$ 16,812,328

Quarterly Results of Operations

Revenue

Consolidated revenue for the three months ended September 30, 2017 increased to \$3,309,135 compared to \$3,262,742 for the same period in 2016 and is made up of product-related revenue, professional services and a small amount for hardware/office supplies. Year to date revenues are down slightly (\$10,466,021 compared to \$10,773,204).

Professional service revenue was \$ 9,309,023 or 89% of overall revenue in 2017 and continues to be important for us, given its generally recurring nature. The contribution of product-related revenue was less than anticipated at \$592,481 or 6% of YTD revenue. We continue to work to make product sales a more balanced part of NTG's revenue stream.

Hardware and implementations made up the balance of the revenue (5%).

For the Egypt operating segment, unconsolidated revenue was up by 46%, however due to the devaluation of the currency in Q4 2016 and the foreign exchange loss on translation, year to date consolidated revenues were lower than in 2016 (\$1,628,114 compared to \$2,473,459 in 2016). Despite the political and economic difficulties in Egypt, business development efforts have resulted in increasing revenues. With a significant increase in professional services provided to tier 1 telecom and utility customers in the country, Egypt contributed 15% to the Corporation's revenue in 2017 (2016: 23%). This shows that Egypt's revenue contribution is strong, despite the currency depreciation in Q4 2016.

For the Canada operating segment, revenues for Q3 2017 were 29% higher than the same period last year (\$3,027,291 compared to \$2,349,592). The difference is because professional service contract renewals delayed in 2016 we renewed in 2017. Canada revenues were up 6% year to date (\$8,837,907) compared to the same period last year (YTD 2016: \$8,299,745).

Unbilled Revenue

Unbilled revenue is revenue which had been earned and therefore recognized in compliance with IFRS, but which has not been billed to the client(s) due to contract terms and/or billing cycle. The Corporation derives revenue from fees charged to customers for licenses for software products and professional services: support, consulting, development, training, and other services.

Revenue can be recognized for projects based on time and materials, for professional services or on a percentage of completion basis for product implementation and support. Both can result in unbilled revenue until the customer is invoiced. Based on NTG's contracts, the customer is invoiced upon the completion of defined milestones, and/or required customer acceptance.

Unbilled revenue was \$3,610,069 at September 30, 2017 compared to \$2,264,345 at December 31, 2016 and \$4,884,775 at September 30, 2016. This is due to the timing of billing for contracts. For many

contracts, revenue is recognized each month, but billed on a quarterly basis and we anticipate this to continue.

Costs of Sales and Gross Margin

Cost of sales consists of the expense of personnel providing professional services, and services to implement and provide technical support for our solutions. In addition, it includes an allocation of certain direct and indirect costs attributable to these activities.

The consolidated cost of sales for the three months ended September 30, 2017 was reduced by 31% compared to the same period last year (\$1,458,379 as compared to \$2,099,287). This significant decrease is due to aggressive cost reductions strategies initiated late in 2016, and includes reductions in salaries and travel. We continue to work to optimize the delivery of our products and services. Cost of sales for the nine months ended September 30, 2017 was \$6,744,943 (2016: \$6,443,560), mainly because of End of Service (severance) costs for staff in KSA.

The cost of sales for the Egypt operating segment, for the three and nine months ending September 30, 2017 were \$324,078 and 1,117,108 (2016: \$608,486 and \$1,432,233). The reduction is mainly due to the currency devaluation. For the Canadian operating segment, cost of sales for the three and nine months ending September 30, 2017 were \$1,134,301 and \$5,627,835 respectively (2016: \$1,490,801 and \$5,011,327).

The gross margin for 2017 was \$3,721,078 or 36%, compared to \$4,329,645 or 40% for the same period in 2016.

Operating Expenses

The Corporation's operating expenses for the three and nine months ended September 30, 2017 were \$1,469,693 and \$3,911,788 compared to \$1,711,596 and \$6,708,159 for the same periods last year, a significant reduction year to date over last year. We have aggressively reduced staff, salaries, selling and travel to bring expenses more in line with revenue.

Selling and Marketing

Selling and marketing expenses consist primarily of sales staff remuneration, commissions, travel, advertising, consulting, and trade show costs. Towards the end of Q3 2016, we discontinued our aggressive marketing strategy due to cash flow constraints and began reducing salaries, and travel for sales personnel. These reductions are reflected in the lower costs in 2017.

Sales and marketing expenses for the three and nine months ended September 30, 2017 were \$653,145 and \$1,578,237 (2016: \$605,939 and \$2,008,689).

Selling	For the three months ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Salary and wages	\$ 313,269	\$ 289,909	\$ 954,447	\$ 833,089
Marketing and advertising	191,351	101,567	362,705	736,795
Mailing and courier	1,416	1,652	5,231	6,791
Professional services	116,369	139,171	126,528	151,099
Travel and entertainment	30,739	73,639	129,326	280,915
Total	\$ 653,145	\$ 605,939	\$ 1,578,237	\$ 2,008,689

Selling and marketing for the Egypt operating segment, for the three and nine months ended September 30, 2017 were reduced to \$105,132 and \$352,425 (2016: \$165,189 and \$434,407). For the Canadian operating segment, selling and marketing for the three and nine months ended September 30, 2017 was \$548,013 and \$1,225,812 (2016: \$440,750 and \$1,574,282).

The 21% year to date decrease was primarily the result of:

- the elimination of expenditures Qatar and California
- reduced marketing efforts for StageEM.
- a significant decrease in travel and trade show costs.

General and Administrative

General and administration expenses (G&A) consist primarily of salary and benefits, rent and office expenses, insurance, professional fees, accounting and legal fees, director's fees, etc.

General and Administrative	For the three months ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Salary and wages	\$ 558,533	\$ 601,621	\$ 1,455,455	\$ 2,270,217
Occupancy	56,852	118,441	207,541	358,577
Consulting	91,139	39,464	142,568	525,531
Professional fees	75,057	58,562	162,711	203,795
Insurance	58,292	158,608	180,738	234,233
Dues and subscriptions	14,104	15,262	31,118	41,708
Penalties and fees	25,109	35,510	103,596	87,065
Telecommunication	19,488	8,398	53,418	32,960
Office equipment	1,235	1,427	4,064	4,347
Other	2,374	35,592	9,848	92,140
Total	\$ 902,181	\$ 1,072,884	\$ 2,351,057	\$ 3,850,572

G&A for the Egypt operating segment, for the three and nine months ended September 30, 2017 were \$43,156 and \$147,192 respectively (2016: \$111,499 and \$229,476). G&A for the Canadian operating segment, for the three months and nine months ended September 30, 2017 were \$859,025 and \$2,203,865 compared to \$961,385 and \$3,621,096 for the same periods in 2016.

The consolidated 16% reduction in Q3 2017 and 39% reduction year to date was primarily due to an aggressive cost reduction strategy:

- In 2016, the retention of highly skilled personnel in anticipation of project renewals caused higher salary and wages. The continued reduction of staff/salaries and consulting costs begun in Q4 2016 has resulted in a 35% reduction in salaries and a 74% reduction in consulting fees in 2017.
- lower occupancy costs in Canada and Kuwait. We continue to work on reducing rental costs, as contracts allow.
- the discontinuation of research activities related to our new software product StageEM.

We continue to work at reducing salary and consulting costs, as contracts allow, in order to optimize for our revenue.

Foreign Exchange Gain/Loss

The Corporation's consolidated financial statements are presented in Canadian dollars. Each entity in the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency and the presentation currency of the parent entity is the Canadian dollar. The functional currency of the subsidiary NTG Egypt Advanced is the Egyptian pound, and the functional currency of the subsidiary NTG Clarity Networks US Inc. is the US Dollar.

Transactions in foreign currencies are initially recorded in respective functional currency rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate at the reporting date. Differences are taken to the statement of profit or loss and comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

1. Assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
2. Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
3. All resulting exchange differences shall be recognized in other comprehensive income.

For the three and nine months ended September 30, 2017, the Corporation recognized a foreign currency exchange gain of \$58,633 and \$17,506 respectively, compared to a loss of \$32,772 and \$848,898 for the same periods in 2016. The foreign exchange loss and exchange loss arising on translation of foreign operations of were attributed to the volatile changes in currencies in the period and losses incurred when converting currencies as we transfer between various branches. See the notes to the financial statements for an assessment of the foreign exchange impacts. The Company does not hedge its foreign currencies but management actively monitors the exchange rates.

Transactions in currencies other than the Canadian dollar are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to the functional currency at the rates prevailing at that date.

Research and Development

Research and development, other than for the StageEM product, is paid for by customer requests and is therefore, included in cost of sales.

Amortization and Depreciation

Intangible assets relate to the upgrade of the internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS. The amortization cost for the three and nine months ended September 30, 2017 was \$91,104 and \$273,312 (2016: \$177,478 and \$490,367).

Interest Expense

As at September 30, 2017, the interest expense for the three and nine months was \$108,110 and \$313,274 as compared to \$94,306 and \$245,081 for the same periods in 2016. The increase was due the timing of interest charges on our credit facility and interest for credit card balances.

Foreign Taxes

Foreign taxes are taxes paid by NTG as a foreign entity working in Saudi Arabia. Foreign tax expense for the period ended September 30, 2017 were \$35,194 compared to \$70,708 for the same period in 2016. Foreign tax amounts vary depending on profits, type of service provided and the quarter in which the billing occurs.

Share-based Compensation

NTG has a formal stock option plan allowing the issuance of options to directors, officers, employees and consultants in order to attract and retain qualified and experienced individuals. All options granted are non-assignable, generally expire three years after the grant date and can have varying vesting periods.

Stock options granted during the three and nine months ended September 30, 2017 totalled 175,000 and 225,000 (2016: 220,000 and 505,000). 2,611,500 options have vested and there are 3,264,000 issued. The difference of 652,500 will vest in the foreseeable future (within the next 12 months) and the expense will be charged in the future quarters.

During the period ending September 30, 2017, 250,000 share options were exercised for a cash in-flow of \$25,000 and reallocation of \$5,000 from Contributed Surplus to Share Capital.

Income Taxes

There are no income taxes for this quarter (Q3 2016: \$NIL).

Net Income (Loss)

For Q3 2017, the Corporation recorded a net income of \$131,308 compared to a net loss of (\$881,497) for the same period in 2016. For the nine months ended September 30, 2017, the Corporation recorded a net loss of (\$706,810) compared to a net loss of (\$3,877,251) in 2016. This is a substantial improvement as we continue to work to reduce selling and G&A costs, and optimize cost of sales for our current revenue.

The Egypt operating segment, for the three months ended September 30, 2017 recorded a net loss of (\$195,035) (Q3 2016: net loss (\$4,481)). For the nine months ended September 30, 2017 the net loss was (\$244,572) (YTD 2016: net loss (\$172,405)). On consolidation, Egypt incurred a loss of (\$230,153) resulting in a net loss for the segment. Unconsolidated, Egypt had a 27% increase in net income over 2016 and a small loss of (\$14,419).

For the Canadian operating segment, the net income for the three months ended September 30, 2017 was \$326,343 (Q3 2016: (\$877,016)). Net loss for the Canadian operating segment, for the nine months ended September 30, 2017 was (\$462,238) (YTD 2016: net loss (\$3,704,846)).

Though a significant improvement over the same period in 2016, factors contributing to the year to date net loss continue to include end of Service (severance) salary costs due to reductions of selling and G&A staff and rental expense obligations for offices/accommodations. We continue to work to reduce salary costs and optimize other expenses. We anticipate this effort to continue going forward.

Assets and non-current liabilities

As of September 30, 2017, the Corporation had \$60,858 cash on hand (December 31, 2016: \$234,761), performance bonds of \$82,903 (December 31, 2016: \$45,635), and prepaid amounts of \$194,152 (December 31, 2016: \$192,059).

Intangible asset

Intangible assets relate to:

- the upgrade of the internally developed Operations Support System/Business Support System (OSS/BSS) software product called NTS.
- in 2016, the development project for StageEM, our new enterprise solution that allows companies to manage many current and/or proposed projects and maintain control of resources, budgets and other elements.

As per IFRS, development expenditures are capitalized as development costs can be measured reliably, the products are technically and commercially feasible, future economic benefits exist, and the Corporation intends to have sufficient resources to use or sell the assets. Assets are being amortized over a 10 year period. The amortization cost for the three and nine months ended September 30, 2017 was \$91,104 and \$273,312 2016: \$177,478 and \$490,367).

Management considers NTS to be a valuable asset, however the percentage of product-related revenue varies depending on the timing of product licenses and support billing. Development expenditures continue to be amortized at a consistent rate for the remainder of the life of the asset.

Indicators of impairment were present for the year ended December 31, 2016 and an impairment test was performed for each of our assets. There was no impairment for our NTS software, however the impairment was substantial for our StageEM software and the amount of \$4,045,326 was recorded as a loss from impairment at year end 2016.

Property and equipment

Property and equipment of \$194,152 as of September 30, 2017 (December 31, 2016: \$192,059) consists mainly of computer equipment and office furniture with a useful life of 4-10 years. The Corporation is not dependant on tangible assets and expects the purchase and disposal of property and equipment to be modest in the foreseeable future.

Non-current liabilities

As of September 30, 2017, the non-current liabilities consisted of a leasehold liability of \$12,620. This liability arose from the Canadian office rental and will be amortized to income until May 2021.

Liquidity and Capital Resources

NTG's principal requirement for capital is to provide working capital to fund its operations and support its organic growth. Historically, we have funded operations through the issuance of equity and by using profits generated by operations. In 2017, we funded operations, changes in non-cash working capital and capital expenditures using internally generated cash flows, cash on hand, and our operating line.

Working capital as at September 30, 2017 was (\$5,008,533) compared to (\$5,119,015) at December 31, 2016. Efforts to address our working capital needs in 2017 include:

- Increasing our collection activities.
- Investigating alternate sources of raising funds.

Cash Flow from Operations

The cash flow from operating activities for the three and nine months ended September 30, 2017 was an in-flow of \$52,164 and an out-flow of (\$291,899), compared to cash in-flows of \$798,966 and \$652,584 for the same periods in 2016.

The improvement from last year was due to:

- a \$1 Million increase in accounts receivable.
- a significantly smaller increase in accounts payable.
- lower amortization expenses as a result of the impairment and write off of StageEM.
- a significantly smaller net loss ((\$706,810 compared to (\$3,877,251 in 2016).

We have reduced our expenses from Q1 and Q2 levels, and continue the effort to return to profitability. Management is striving to generate cash from operations by controlling operating costs and driving revenue growth.

Cash Flow from Financing Activities

The cash flow from financing activities for the three and nine months ended September 30, 2017, was an out-flow of (\$92,346) and an in-flow of \$59,315, compared to an out-flow of (\$43,614) and an in-flow of \$1,237,337 for the same periods in 2016. This difference is primarily a result of the debt for shares transaction in Q1 2017 and added \$414,122. In 2016, there was a \$1.4 Million increase in bank indebtedness.

Cash Flow from Investing Activities

The cash flow for investing activities for the three and nine months ended September 30, 2017, was an in-flow of \$2,150 and \$58,681, compared to an out-flow of (\$502,944) and (\$1,786,507) for the same periods in 2016. In 2016, the \$1.6 Million out-flow was due to the investment in our software product, StageEM.

Off-Balance Sheet Arrangements

The Corporation has not entered into off-balance sheet financing arrangements. All commitments are reflected on the Corporation's balance sheet.

Commitments and Contractual Obligations

The Corporation is committed under agreements for the rental of office space in Canada (January 1, 2011 to May 31, 2016 and June 1, 2016 to May 31, 2021). Additionally we have short term agreements for the rental of office/space in KSA, Oman, Kuwait and Egypt, as well as lease obligations for office equipment. The following table summarizes contractual obligations for future years.

Contractual obligations	2017	2018	2019	2020 and after	Total
Operating line of credit	\$ 7,396,005	\$ –	\$ –	\$ –	\$ 7,396,005
Accounts payable and accrued liabilities	4,607,397	–	–	–	4,607,397
Operating lease	28,426	112,244	110,784	156,944	408,398

Debt and Credit Facilities

As of September 30, 2017, the Corporation has a \$2.7 million demand credit facility ("Facility 1") and a \$3.1 million pre-shipment facility ("Facility 2") with Royal Bank of Canada. They have annual interest rates of bank prime plus 2.05% and 1.05% respectively. The facilities are secured by a General Security Agreement over the assets of the Corporation and are supported by Export Development Canada (EDC).

As of September 30, 2017, the Corporation was in violation of its margin requirements under the Existing Loan Agreement in the amount of \$2,241,890. The Corporation renegotiated the terms of the Credit Facilities as referenced in the restructuring of the Amended Existing Loan Agreement, dated March 24, 2017. The bank created a new facility to hold the excess amounts advanced under Facility 1 and Facility 2. The excess debt facility had an initial principal amount of \$2,241,890. As of September 1, 2017, the bank requires NTG to pay down \$50,000 per month against this principal and has extended the due date until March 1, 2018.

Transactions with Related Parties

Transactions between the Corporation and its subsidiaries, which are related parties to the Corporation, have been eliminated on consolidation. Related parties include key management, the Board of Directors, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions.

The standard key management compensation is listed in Note 23. Additionally, in Q2 2015, the Board of Directors of the Corporation approved a loan to Ashraf Zaghoul in the amount of \$300,000 to be repaid in two years time at an interest rate of 2%. The Board of Directors approved extending the repayment date for this loan for one year, in the Board of Directors meeting on May 29, 2017.

Proposed Transactions

There are no Proposed Transactions.

Business Risk and Management

NTG's primary risk management objective is to protect our balance sheet and cash flow. Principal financial liabilities are made up of a short term debt/operating line and trade and other payables.

The overall risk management program has not changed throughout the year and focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

We are exposed to market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk. Senior management oversees the management of these risks and is supported by a Committee that advises on financial risks and the appropriate financial risk governance framework. The Board of Directors reviews and agrees policies for managing risks.

In addition to risks described elsewhere, the Corporation is subject to a number of risk factors. The Corporation has significant reliance on certain key personnel, some of whom are also key shareholders; Ashraf Zaghoul, CEO; Kristine Lewis, President and Adel Zaghoul, CEO, NTG Egypt; Ashraf Fayed, SR. VP KSA; and Yaser Yousef, CTO. Though we have worked hard to diversify our customer base, we are dependent on a few large customers. In Q3 2017, 22% (Q3 2016: 15%) of the Corporation's revenue was from one customer.

Management continues to work to diversify the customer base and country concentration. Additionally, the Corporation mitigates this risk by insuring these receivables with Export Development Canada (EDC).

Additional risks and uncertainties not described below or not presently known to the Corporation may also impact our business. If any of these risks occur, the Corporation's business, financial condition or results of operations could be harmed and the trading price of the Corporation's common shares could be materially affected. The purpose of discussing these risks and uncertainties is to highlight factors that could cause actual results to differ materially from past results or from those described in forward-looking statements. It is not to describe facts, trends and circumstances that could have a positive impact on the results or financial position.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk. The Corporation is not subject to price risk from fluctuations in market prices of commodities and has no exposure to equity price risk.

There is a high concentration of competition in the telecom industry and no barrier of entry for new competitors into the market. Many of our competitors are larger companies that have greater resources. To help mitigate this risk, we have partnered with, or signed agreements to work through, a few of the large competitors, as we can offer seasoned resources at extremely competitive rates.

Changes in the regulatory environment would always affect our plans and investments. As we continue to grow, we will continually monitor and evaluate the various policies and procedures to ensure that they take into account changes in the Corporation and its marketplace.

A significant portion of our revenue comes from work done in the Kingdom of Saudi Arabia (KSA). NTG considers the risks to operating in KSA to be low, however we continue to insure receivables with EDC and are working to retain new customers in other countries. All our KSA customers' invoices are insured to 90% and up to 180 days.

Previously, 7-11% of our revenue came from work done through our subsidiary NTG Egypt, based in Cairo, Egypt. This contribution has grown to 16% in 2016 and YTD 2017. The political and economic difficulties in the region, have impacted the currency, but have positively affected our Egypt operations. NTG Egypt's unconsolidated revenue was up by 27% over the same period last year, however due to the devaluation of the currency in Q4 2016 and the foreign exchange loss on translation, year to date consolidated revenues were lower. The telecom industry's challenges in the region continues to have a positive effect on NTG Egypt's revenue.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. NTG's financial instruments that are exposed to credit risk consist primarily of trade receivable. Our exposure to credit risk is impacted by the industry's economic conditions which could affect the customers' ability to satisfy their obligations. To reduce risks, we perform periodic credit evaluations of the financial conditions of customers and typically does not require collateral from them. Management assesses the need for allowance for potential credit losses by considering the credit risk of specific customers, historical trends and other information.

We also mitigate credit risk through credit insurance coverage with EDC. This includes insurance for receivables and for work in progress.

The credit quality of all the accounts receivable of the Corporation that are neither past due nor impaired and the age of accounts receivable that are past due but not impaired have been assessed on an individual basis and determined to have a mitigated risk profile as they are insured receivables.

The majority of our revenue is derived from the telecom industry and was earned through service contracts from a few clients. In Q3 2017, 22% (Q3 2016: 15%) of our revenue was from one customer. YTD, approximately 16% (2016: 23%) of the trade accounts receivable balance was from one customer. Management continues to work to diversify the customer base and manage the risk.

The legal billing contractual terms with our clients may not match the Corporation's revenue policies. Accordingly we may record earned revenues on the financial statements before the legal terms of collections: this timing difference results in unbilled revenue on the assets of the balance sheet. In Q3 2017, this has resulted in unbilled revenues of \$3,610,069 (December 31, 2016: \$2,264,345; September 30, 2016: \$4,884,775).

Our future contracts also provided for collection terms that do not match to the revenue policy. We expect the unbilled revenue to be consistent than this quarter. The risk of exposure to collection is low due to our past history with these Tier 1 customers and EDC insurance on the accounts.

Interest risk

The Corporation's exposure to interest rate fluctuations is primarily interest paid on its bank indebtedness and long-term loans. The Corporation has performed sensitivity analysis on interest rates at September 30, 2017 to determine how a change in interest rates would impact equity and net loss. During the three months ended September 30, 2017, the Corporation paid \$108,110 (2016: \$94,306) interest on its loans and liabilities. An increase or decrease of 100 basis points in the average interest rate paid during the period would have adjusted net earnings by approximately \$10,811 (Q2 2016: \$9,430). This analysis assumes that all other variables remain constant.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenue or expense are denominated in a different currency from the Corporation's functional currency. The Corporation's functional currency is the Canadian dollar.

The Corporation does not hedge the risk related to fluctuations of the exchange rate between USA and Canadian dollars from the date of the sales transactions to the collection date due to the short-term nature of this exposure. The Corporation does not hedge the risk related to fluctuations of the exchange rate between USA and Canadian dollars from the date of the sales transactions to the collection date due to the short-term nature of this exposure. A 10% change in exchange rates on the September 30, 2017 would have the following impacts:

	USD	Omani Riyal OMR	Kuwait Dinar KWD	Saudi Riyal SAR	Qatari Riyal QAR	Egyptian Pound LE
10% Impact to P&L in CAD	(25,761)	92,753	(16,992)	336,271	(946)	26,169
10% Impact to Equity in CAD	(18,934)	68,173	(12,489)	247,159	(695)	19,234

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Corporation manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Corporation continuously reviews both actual and forecasted cash flows to ensure that the Corporation has appropriate capital capacity.

The following table summarizes the amount of contractual undiscounted future cash flow requirements for financial instruments as at September 30, 2017. The contractual maturity of a large part of the accounts payable is within 30-60 days.

Contractual obligations	2017	2018	2019	2020 and after	Total
Operating line of credit	\$ 7,396,005	\$ -	\$ -	\$ -	\$ 7,396,005
Accounts payable and accrued liabilities	4,607,397	-	-	-	4,607,397
Operating lease	28,426	112,244	110,784	156,944	408,398

Capital management

The Corporation manages its capital, which consists of cash provided from operations and long term debt, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets. As at September 30, 2017, the

Corporation was pursuing additional capital through the issuance of additional equity or debt financing. There can be no guarantee that they will be successful in raising additional capital.

There have been no changes in the Corporation's approach to capital management during the period ending September 30, 2017. Also, no changes were made in the objectives, policies, or processes during the period ending September 30, 2017. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

The Corporation's objectives when managing capital are to:

- (i) safeguard the Corporation's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders;
- (ii) fund capital projects for facilitation of business expansion provided there is sufficient liquidity of capital to enable the internal financing; and
- (iii) maintain a capital base to maintain investor, creditor, and market confidence.

The Corporation considers the items included in the consolidated statements of changes in shareholders' equity as capital. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares. The Corporation is not subject to externally imposed capital requirements.

At September 30, 2017, of the \$82,903 in bid/performance bonds (December 31, 2016: \$45,635), \$40,935 was for three bid bonds in Saudi Arabia (KSA) and \$41,968 was for various bonds and guarantees in Egypt (December 31, 2016: \$25,653 and \$19,982). The bonds are non-interest bearing.

Additionally, at September 30, 2017, the Corporation also had two performance bonds and an advance payment guarantee issued in its name under its EDC-supported bonding facility in the amount of approximately \$476,639 (December 31, 2016: \$362,105). The bonds have been financed by a Canadian financial institution and are supported and 100% insured by EDC. They are scheduled to be released in March and April 2018.

Prepaid expenses and deposits of \$194,152 at September 30, 2017 were related to office rent, insurance, etc. as outlined below. The increase was mainly due to the timing of rental and insurance premiums. The premiums are calculated based on the number of staff in KSA at year end and therefore will vary from year to year.

Legal claim contingency

The Corporation is subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Corporation, individually or in aggregate, will not have a material adverse impact on the Corporation's financial position, results of operations, and cash flows. These matters are subject to inherent uncertainties and management's view of these matters may change in the future. To date, there are no claims or suits outstanding.

Guarantees

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers.

Collateral

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Notes 18. The Corporation did not hold collateral at September 30, 2017, and September 30, 2016.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of September 30, 2017 and have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Corporation or its subsidiaries is made known to them.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers (CFO and CEO) filing the NI 52-109 certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the NI 52-109 certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Standards Issued But Not Yet Effective

As at November 15, 2017, the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Corporation.

The International Accounting Standards Board issued on January 13, 2016 a new accounting standard called IFRS 16 Leases. IFRS 16 Leases replaces IAS 17 Leases. IFRS 16 requires all leases to be reported on an entity's statement of financial position as assets and liabilities. IFRS 16 is effective January 1, 2019. The Corporation has assessed and determined that there will be no impact to the financial statements upon adoption.

The IASB published an amendment to IAS 12 in January 2016 referred to as IAS 12: Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses. The amendment is effective for reporting periods starting on or after January 1, 2017. The amendment is not relevant to the Corporation.

The IASB has issued the following updates to the Standards, which were all early adopted on January 1, 2016 and for which there was no impact on the statement of financial position, results of operations, or disclosures: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of

disposal, IFRS 7 Financial Instruments: Disclosures: Servicing contracts, IAS 19 Employee Benefits: Discount rate IAS 34 Interim Financial Reporting: Disclosure.

The IASB issued Disclosure Initiative, amendments to IAS 1 in December 2014 with an effective date of January 1, 2016. The Corporation has adopted the amendments on January 1, 2016. The adoption resulted in reduced disclosures in non material areas.

As at January 1, 2016, the Corporation has elected to early adopt IFRS 15 Revenue from Contracts with Customers as issued by the IASB. In accordance with the transition provisions in IFRS 15, the new rules have been adopted retrospectively and comparatives for the prior financial periods and year have not been restated, as there was no difference in the application of IFRS 15 and the prior IAS 11 and IAS 18 and the various IFRIC interpretations.

As at January 1, 2016, the Corporation has elected to early adopt IFRS 9 Financial Instruments as issued by the IASB. In accordance with the transitional provisions in IFRS 9.7.2.15, comparative figures have not been restated. When compared to IAS 39 Financial Instruments: Recognition and Measurement, the adoption of IFRS 9 has not resulted in any significant changes to the measurement on the statements of financial position, the statement of comprehensive income (loss), or within the note disclosures.

All other standards were early adopted as explained in the prior year's financial statements.