



Simplifying Software Solutions

QUARTERLY REPORT

NTG CLARITY NETWORKS INC.

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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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).

	For the three months ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Selling				
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-shipping 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 Zaghloul 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 Zaghloul, CEO; Kristine Lewis, President and Adel Zaghloul, 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.

NTG Clarity Networks Inc.

Unaudited Interim Consolidated Financial Statement

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended September 30, 2017.

November 15, 2017

MARKHAM, ONTARIO

NTG CLARITY NETWORKS INC.**Unaudited Interim Consolidated Statements of Financial Position**

(In Canadian Dollars)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	60,858	234,761
Trade and other receivables (Note 11)	6,679,360	5,614,075
Performance and bid bonds (Note 13)	82,903	45,635
Prepaid expenses and deposits (Note 12)	194,152	192,059
Total current assets	\$ 7,017,273	\$ 6,086,530
Non-current assets		
Property, plant and equipment (Note 14)	172,248	272,579
Intangible assets (Note 15)	1,464,923	1,738,235
Due from related parties (Note 23)	300,000	300,000
Total non-current assets	1,937,171	2,310,814
Total Assets	\$ 8,954,443	\$ 8,397,344
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 17(a))	\$ 7,396,005	\$ 7,432,537
Accounts payable and accrued liabilities (Note 16)	4,607,397	3,747,835
Current portion of leasehold liability	922	3,690
Deferred revenue	21,483	21,483
Total current liabilities	\$ 12,025,807	\$ 11,205,545
Leasehold liability	12,620	12,620
Total liabilities	\$ 12,038,427	\$ 11,218,165
SHAREHOLDERS' EQUITY		
Capital stock (Note 18)	9,308,186	8,894,064
Contributed surplus (Note 19)	1,703,465	1,673,940
Foreign exchange account	(705,938)	(475,785)
Deficit	(13,389,697)	(12,913,040)
Total shareholders' equity	(3,083,984)	(2,820,821)
Total liabilities and shareholders' equity	\$ 8,954,443	\$ 8,397,344

Approved on behalf of the Board:

"Ashraf Zaghloul"

Director

"Kristine Lewis"

Director

See accompanying notes to consolidated financial statements.

NTG CLARITY NETWORKS INC.**Unaudited Interim Consolidated Statements of Changes in Equity**

For the nine month period ended September 30, 2017 and December 31, 2016

(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Foreign Exchange Reserve	Total Shareholders' Equity
Balance, December 31, 2015	\$ 8,881,959	\$ 1,572,517	\$ (1,011,922)	\$ 149,583	\$ 9,592,137
Income (loss) from continuing operations	—	—	(3,439,897)	—	(3,439,897)
Other comprehensive income (loss)	—	—	—	(437,354)	(437,354)
Share-based compensation	—	112,126	—	—	112,126
Issuance of share capital	7,250	—	—	—	7,250
Reallocation of contributed surplus	4,855	(4,855)	—	—	—
Balance, September 30, 2016	\$ 8,894,064	\$ 1,679,788	\$ (4,451,819)	\$ (287,771)	\$ 5,834,262
Income from continuing operations	—	—	(8,461,221)	—	(8,461,221)
Other comprehensive loss	—	—	—	(188,014)	(188,014)
Share-based compensation	—	(5,848)	—	—	(5,848)
Issuance of share capital	—	—	—	—	—
Reallocation of contributed surplus	—	—	—	—	—
Balance, December 31, 2016	\$ 8,894,064	\$ 1,673,940	\$ (12,913,040)	\$ (475,785)	\$ (2,820,821)
Income (loss) from continuing operations	—	—	(901,828)	—	(901,828)
Other comprehensive income	—	—	425,172	—	425,172
Foreign exchange account (Note 4(b))	—	—	—	(230,153)	(230,153)
Share-based compensation (Note 18)	—	34,525	—	—	34,525
Shares for Debt transaction (Note 18)	384,122	—	—	—	384,122
Issuance of share capital (Note 18)	25,000	—	—	—	25,000
Reallocation of contributed surplus (Note 18)	5,000	(5,000)	—	—	—
Balance, September 30, 2017	\$ 9,308,186	\$ 1,703,465	\$ (13,389,697)	\$ (705,938)	\$ (3,083,984)

NTG CLARITY NETWORKS INC.**Unaudited Interim Consolidated Statements of Profit and Loss and Other Comprehensive Income**
(Unaudited) (In Canadian Dollars)

	Three Months Ended Sept 30,		Nine months Ended Sept 30,	
	2017	2016	2017	2016
REVENUE (Note 7)	\$ 3,309,135	\$ 3,262,742	\$10,466,021	\$10,773,204
COST OF SALES (Note 21)	1,458,379	2,099,286	6,744,943	6,443,560
GROSS PROFIT	1,850,756	1,163,456	3,721,078	4,329,645
EXPENSES				
Selling and marketing (Note 22)	653,145	605,939	1,578,237	2,008,689
General and administrative (Note 22)	901,181	1,072,884	2,351,057	3,850,572
(Gain) loss on foreign exchange	(58,633)	32,772	(17,506)	848,898
Total expenses	1,496,693	1,711,595	3,911,788	6,708,159
INCOME FROM OPERATIONS	354,063	(548,140)	(190,710)	(2,378,515)
OTHER EXPENSES				
Depreciation, PP&E (Note 14)	12,992	10,282	41,650	115,857
Amortization, intangibles assets (Note 15)	91,104	177,479	273,313	490,367
Interest, net	108,110	94,306	313,274	245,081
Provision for bad debt	(259)	—	13,162	27,243
Share-based payment (Note 18)	11,488	23,459	34,525	112,126
Foreign taxes	(1,565)	(4,625)	35,194	70,708
Total other expenses	221,870	300,899	711,118	1,061,382
NET INCOME (LOSS) BEFORE TAXES	132,194	(849,039)	(901,828)	(3,439,897)
INCOME TAXES (Note 8)				
Current income tax expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Other comprehensive income				
Exchange (loss) arising on translation of foreign operations	(885)	(32,458)	(230,153)	(437,354)
Reversal of impairment of unbilled revenue	—	—	425,172	—
TOTAL COMPREHENSIVE INCOME (LOSS)	131,308	(881,497)	(706,810)	(3,877,251)
Earnings per share				
Basic	\$ 0.003	\$ (0.024)	\$ (0.017)	\$ (0.107)
Diluted	\$ 0.003	\$ (0.022)	\$ (0.016)	\$ (0.096)
Weighted average number of shares outstanding				
Basic	41,962,355	36,224,891	41,962,355	36,224,891
Diluted	45,192,106	40,495,587	45,192,106	40,495,587

See accompanying notes to consolidated financial statements.

NTG CLARITY NETWORKS INC.
Unaudited Interim Consolidated Statements of Cash Flows

(In Canadian Dollars)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	2016		2016	
OPERATION ACTIVITIES				
Net income	\$ 131,308	\$(881,497)	\$ (706,810)	\$(3,877,251)
Items not affecting cash:				
Depreciation, PP&E	12,992	10,282	41,650	115,857
Amortization, intangible assets	91,104	177,479	273,313	490,367
Interest expense	108,110	94,306	313,274	245,081
Share-based payment	11,488	23,459	34,525	112,126
	355,002	(575,971)	(44,048)	(2,913,820)
Net change in non-cash working capital items:				
Decrease (increase) in accounts receivable	(543,896)	(111,788)	(1,065,285)	1,931,686
Decrease (increase) in bid/performance bonds	14,593	(15,352)	(37,268)	(29,773)
Decrease (increase) in prepaid expenses and other assets	(57,703)	(79,349)	(2,093)	85,483
Increase (decrease) in accounts payable and accrued liabilities	285,090	1,567,172	859,562	1,415,809
Decrease (increase) in inventory	–	14,254	(2,768)	164,619
(Decrease) increase in current leasehold liability	(922)	–	–	(1,420)
TOTAL CASH (OUT-FLOW) IN-FLOW FROM OPERATION ACTIVITIES	52,164	798,966	(291,899)	652,584
FINANCING				
Increase (decrease) in bank indebtedness (Note 17)	15,764	50,692	(36,532)	1,475,168
Issuance of common shares (Note 18)	–	–	414,122	7,250
Repurchase of common shares (Note 18)	–	–	–	–
Reallocation of contributed surplus (Note 18)	–	–	(5,000)	–
Interest paid	(108,110)	(94,306)	(313,274)	(245,081)
TOTAL CASH (OUT-FLOW) IN-FLOW FROM FINANCING ACTIVITIES	(92,346)	(43,614)	59,315	1,237,337
INVESTING				
(Purchase) disposal of capital assets	2,150	32,902	58,681	(99,521)
Intangible asset	–	(540,326)	–	(1,686,986)
TOTAL CASH (OUT-FLOW) FROM INVESTING	2,150	(502,944)	58,681	(1,786,507)
NET INCREASE (DECREASE) IN CASH	(38,033)	252,408	(173,904)	103,414
Cash balance, beginning of period	98,891	207,225	234,761	356,218
Cash balance, end of period	\$ 60,858	\$ 459,631	\$ 60,858	\$ 459,631

See accompanying notes to consolidated financial statements.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**September 30, 2017 and 2016

1. CORPORATE INFORMATION

NTG Clarity Networks Inc. (the "Corporation") is domiciled in Canada and its shares are traded publicly on the TSX Venture Exchange under ticker symbol NCI.V. The Corporation is domiciled in Canada and was incorporated on May 15, 2001 under the laws of Alberta. The Corporation's principal and registered office is Suite 202, 2820 14th Avenue, Markham, Ontario, L3R 0S9.

NTG provides network, telecom, IT and infrastructure solutions to medium and large network service providers. The Corporation specializes in providing telecommunications engineering, networking and related software solutions and has developed niche software products directed at the telecom service providers. In 2010, NTG began the development phase to move its Operations Support System/Business Support System (OSS/BSS) product called NTS to a new technology platform and to add new and upgrade existing functionality. NTG continues to offer professional telecom services in the North American and Middle Eastern markets.

The telecom industry is subject to rapid and substantial technological change which could reduce marketability of the Corporation's technology and services.

2. GOING CONCERN

The Corporation prepared consolidated financial statements on a going concern basis which presume the realization of assets and discharge of liabilities in a normal course of business for the foreseeable future. The Corporation's ability to continue operations and realize assets at their carrying values is dependent upon generating revenue sufficient to cover its operating costs, obtaining additional financing aid and the continued support of its shareholders.

As at September 30, 2017, the Corporation had a working capital deficit of \$(5,008,533) (December 31, 2016: deficit of \$5,119,015), YTD operating loss of (\$190,710) (September 30, 2016: loss of (\$2,378,515)) and accumulated losses since inception of (\$13,389,697) (December 31, 2016: loss of (\$12,913,040)).

At period end, the Corporation was in violation of its margin requirements in the amount of \$2,191,890. In August 2017, the agreement was amended to extend the repayment date to March 1, 2018, and the bank requires NTG to pay \$50,000 towards this amount each month.

The financial statements have been prepared under the assumption that the Corporation is a going concern and will continue to be in operation for the foreseeable future.

3. BASIS OF PRESENTATION

The audited consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

NTG CLARITY NETWORKS INC.

Notes to the Unaudited Interim Consolidated Financial Statements

September 30, 2017 and 2016

3. BASIS OF PRESENTATION (cont'd)

Statement of Compliance

The unaudited interim consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), London, IAS 34 *Interim Financial Reporting*, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in effect at the closing date of November 15, 2017.

Management of the Corporation prepared the consolidated financial statements of the Corporation during October and November 2017, and the Board of Directors approved them. The Audit Committee of the Corporation discussed the unaudited consolidated financial statements at its meeting on November 15, 2017, and the Board of Directors approved them at its meeting on November 15, 2017.

The unaudited consolidated financial statements of the Corporation are drawn up in Canadian dollars. Amounts are stated in and recorded to the nearest Canadian dollars except where otherwise indicated. The financial statements of the individual companies is prepared as of the closing date of the Corporation's financial statements using the same accounting policies.

In the unaudited consolidated statement of profit and loss and comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, and consolidated statement of changes in equity, certain items are combined for the sake of clarity. These are explained within the notes. The consolidated statement of profit and loss and comprehensive income is prepared using the cost of sales method. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the Corporation. The normal business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods or services produced in that process. Trade accounts receivable and payable, claims for tax refunds, and tax liabilities are always presented as current items; deferred tax assets and liabilities, if any, are presented as non-current items. Provisions (if any), debt and other liabilities are shown between current and non-current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at September 30, 2017.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiary is prepared for the same reporting period as the parent company using consistent accounting policies.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All intra group balances, income and expenses, unrealized gains and losses, and dividends resulting from intra group transactions, if any, are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

The subsidiary of the Corporation as of September 30, 2017 is its 95% owned subsidiary, NTG Egypt Advanced Software, and its wholly owned U.S. subsidiary, NTG Clarity Networks US Inc.

(b) Foreign currency translation

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. 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.

Translation to the presentation currency

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.

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency. For example, when a group contains individual entities with different functional currencies, the results and financial position of each entity are expressed in a common currency so that consolidated financial statements may be presented.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For practical reasons, a rate that approximates the exchange rates at the dates of the transactions, for example an average rate for the period, is often used to translate income and expense items. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. The exchange differences referred to in IAS 21.39(c) result from:

1. Translating income and expenses at the exchange rates at the dates of the transactions and assets and liabilities at the closing rate.
2. Translating the opening net assets at a closing rate that differs from the previous closing rate.

These exchange differences are not recognized in profit or loss because the changes in exchange rates have little or no direct effect on the present and future cash flows from operations. The cumulative amount of the exchange differences is presented in a separate component of equity until disposal of the foreign operation. When the exchange differences relate to a foreign operation that is consolidated but not wholly owned, accumulated exchange differences arising from translation and attributable to non controlling interests are allocated to, and recognized as part of, non-controlling interests in the consolidated statement of financial position.

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

1. All amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position, except that
2. When amounts are translated into the currency of a non hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

When an entity's functional currency is the currency of a hyperinflationary economy, the entity shall restate its financial statements in accordance with IAS 29.39 before applying the translation method set out in IAS 21., except for comparative amounts that are translated into a currency of a non hyperinflationary economy (see IAS 21.42(b)). When the economy ceases to be hyperinflationary and the entity no longer restates its financial statements in accordance with IAS 29, it shall use as the historical costs for translation into the presentation currency the amounts restated to the price level at the date the entity ceased restating its financial statements.

Translation of a foreign operation

IAS 21.-47, in addition to IAS 21.-43, apply when the results and financial position of a foreign operation are translated into a presentation currency so that the foreign operation can be included in the financial statements of the reporting entity by consolidation or the equity method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The incorporation of the results and financial position of a foreign operation with those of the reporting entity follows normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary (see Consolidated Financial Statements).

However, an intragroup monetary asset (or liability), whether short term or long term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the reporting entity to a gain or loss through currency fluctuations. Accordingly, in the consolidated financial statements of the reporting entity, such an exchange difference is recognized in profit or loss or, if it arises from the circumstances described in IAS 21, it is recognized in other comprehensive income and accumulated in a separate component of equity until the disposal of the foreign operation.

When the financial statements of a foreign operation are as of a date different from that of the reporting entity, the foreign operation often prepares additional statements as of the same date as the reporting entity's financial statements.

When this is not done, allows the use of a different date provided that the difference is no greater than three months and adjustments are made for the effects of any significant transactions or other events that occur between the different dates. In such a case, the assets and liabilities of the foreign operation are translated at the exchange rate at the end of the reporting period of the foreign operation. Adjustments are made for significant changes in exchange rates up to the end of the reporting period of the reporting entity in accordance with IFRS 10. The same approach is used in applying the equity method to associates and joint ventures in accordance with.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign operation and shall be translated at the closing rate in accordance with IAS 21 and IAS 21.42.

Disposal or partial disposal of a foreign operation

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized (see Presentation of Financial Statements).

In addition to the disposal of an entity's entire interest in a foreign operation, the following partial disposals are accounted for as disposals:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1. When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, regardless of whether the entity retains a non controlling interest in its former subsidiary after the partial disposal; and
2. When the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non controlling interests shall be derecognized, but shall not be reclassified to profit or loss.

On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

A partial disposal of an entity's interest in a foreign operation is any reduction in an entity's ownership interest in a foreign operation, except those reductions in paragraph that are accounted for as disposals.

An entity may dispose or partially dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity. A write down of the carrying amount of a foreign operation, either because of its own losses or because of an impairment recognized by the investor, does not constitute a partial disposal. Accordingly, no part of the foreign exchange gain or loss recognized in other comprehensive income is reclassified to profit or loss at the time of a write-down.

A write-down of the carrying amount of a foreign operation, either because of its own losses or because of an impairment recognized by the investor, does not constitute a partial disposal. Accordingly, no part of the foreign exchange gain or loss recognized in other comprehensive income is reclassified to profit or loss at the time of a write-down.

(c) Revenue Recognition

The Corporation derives revenue from fees charged to customers for licenses for software products and professional services: support, consulting, development, training, and other services. Some of the Corporation's software arrangements include product sales and may also include professional services.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If, for any of the Corporation's product or service offerings, the Corporation determines at the outset of an arrangement that the amount of revenue cannot be measured reliably, the Corporation concludes that the inflow of economic benefits associated with the transaction is not probable and defers revenue until the arrangement fee becomes due and payable by the customer.

If, at the outset of an arrangement, it is determined that collectability is not probable, the Corporation concludes that the inflow of economic benefits associated with the transaction is not probable, and recognition of revenue is deferred until the earlier of when collectability becomes probable or payment is received. If collectability becomes unlikely before all revenue from an arrangement is recognized, revenue is recognized only to the extent of the fees that are successfully collected unless collectability becomes reasonably assured again. If a customer is specifically identified as a bad debtor, the Corporation stops recognizing revenue from this customer except to the extent of the fees that have already been collected.

Software revenue represents fees earned from the sale or license of software to customers for use on the customer's premises, in other words, where the customer has the right to take possession of the software for installation on the customer's premises (on premise software). Revenue is recognized in line with the requirements for selling goods stated in IAS 18 (Revenue) when evidence of an arrangement exists, delivery has occurred, the risks and rewards of ownership have been transferred to the customer, the amount of revenue and associated costs can be measured reliably, and collection of the related receivable is reasonably assured. The fee of the sale is recognized net of returns and allowances, trade discounts, and volume rebates.

In general, the Corporation's software license agreements do not include acceptance testing provisions. If an arrangement allows for customer acceptance testing of the software, revenue is deferred until the earlier of customer acceptance or when the acceptance right lapses. The Corporation may enter into customer specific on premise software development agreements. Software revenue in connection with these arrangements is recognized using the percentage of completion method based on contract costs incurred to date as a percentage of total estimated contract costs required to complete the development work. If there is no sufficient basis to reasonably measure the progress of completion or to estimate the total contract revenue and costs, revenue is recognized only to the extent of the contract costs incurred for which recoverability is believed to be probable. When it becomes that total contract costs exceed total contract revenue in an arrangement, the expected losses are recognized immediately as an expense based on the costs attributable to the contract.

On premise software may combine software and support service elements, as under these contracts the customer is provided with current software products, rights to receive unspecified future software products, and rights to services during the on premise software subscription term. Customers pay a periodic fee for a defined subscription term, and such fees are recognized ratably over the term of the arrangement beginning with the delivery of the first product.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Support revenue represents fees earned from providing customers with unspecified future software updates, upgrades, and enhancements, and technical product support for on premise software products. Support revenue is recognized based on the Corporation's performance under the support arrangements. Under the major support services the Corporation's performance obligation is to stand ready to provide technical product support and to provide unspecified updates and enhancements on a when and if available basis. For these support services revenue is recognized ratably over the term of the support arrangement. Consulting and other service revenue is recognized when the services are performed. Consulting revenue primarily results from implementation contracts to install and configure our software products and offerings. Other service revenue consists of fees from training services. Training services provide educational services to customers and partners regarding the use of our software products. Training revenue is recognized when the services are rendered.

Some arrangements contain multiple elements. Software, consulting and other service deliverables are accounted for as separate units of accounting and allocate revenue based on fair value. Fair value is determined by establishing either corporation specific objective evidence, or an estimated stand alone selling price. Revenue from multiple element arrangements is allocated to the different elements based on their individual fair values. The revenue amounts allocated to the individual elements are recognized when the revenue recognition criteria described above have been met for the respective element.

The Corporation determines the fair value of and allocate revenue to each element based on its corporation specific objective evidence of fair value, which is the price charged when that element is sold separately or, for elements not yet sold separately, the price established by management if it is probable that the price will not change before the element is sold separately.

Revenue from the sale of medical equipment is recognized when there is evidence of arrangement, the amount is fixed or determinable, products are shipped to the customer, and collection is reasonably assured.

(d) Current income tax

Current income tax assets and liabilities for the respective and prior years are measured at the amount expected to be recovered from or paid to the Canadian taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Corporation operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss and comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Current income tax (cont'd)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in the subsidiary, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Current income tax (cont'd)

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses, liabilities and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(e) Government grants and assistance and investment tax credit

Government grants and assistance are recognized where there is reasonable assurance that the grant or assistance will be received and all attached conditions will be complied with.

When the grant or assistance relates to an expense item, it is recognized as income over the period necessary to match the grant or assistance on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

When government assistance is received which relates to expenses of future periods, the amount is deferred and amortized to income as the related expenditures are incurred. The Corporation has been engaged in the Industrial Research Assistance Program (IRAP). The IRAP recorded in the accounts is based on management's interpretation of the respective provisions which govern their eligibility. The claims are subject to review by the respective agencies before the refunds can be released. To the extent that collection is reasonably assured, IRAP is recorded as a reduction to the underlying expense or asset to which it is attributable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial instruments - initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the Corporation becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized costs or FVTOCI are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the consolidated statements of comprehensive income.

(i) Financial assets

Initial recognition and measurement

From November 1, 2015, the Corporation classifies its financial assets in the following measurement categories: those to be measured at amortized cost and those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial Assets at Amortized Cost

Financial assets that meet the following conditions are measured at amortized cost less impairment losses: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and the financial asset was not acquired principally for the purpose of selling in the near term or for short term profit taking (held for trading).

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

All other financial assets, except equity and debt instruments as described below, are remeasured at fair value and classified as fair value through profit or loss. The gains or losses, if any, arising on remeasurement of FVTPL are recognized in profit or loss within the consolidated statements of comprehensive income.

The method of measurement of instruments in debt instruments will depend on the business model in which the instrument is held. For instruments in equity instruments, it will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income (FVTOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial instruments - initial recognition and subsequent measurement (cont'd)

(ii) Financial liabilities

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on remeasurement of held for trading financial liabilities are recognized in profit or loss within the consolidated statements of comprehensive income. Such gains or losses recognized in profit or loss includes any interest paid on the financial liabilities. Financial liabilities that are not held for trading and are not designated as FVTPL are measured at amortized cost.

The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset). All financial assets and financial liabilities held by the Corporation are measured at amortized cost.

Impairment

The Corporation assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Corporation has applied IFRS 9 retrospectively, but has elected not to restate comparative information as there is no impact on the financial statements of the Corporation from adopting IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the Corporation's previous accounting policy which reflects the same measurement of IFRS 9.

The accounting policies were changed to comply with the full requirements of IFRS 9 as issued by the IASB. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures. The total impact on retained earnings due to classification and measurement of financial instruments as at November 1, 2015 and the date of these financial statements was Nil.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial instruments - initial recognition and subsequent measurement (cont'd)

(iii) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Compound Instruments

The component parts of compound instruments (e.g., debt issued with warrants) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without warrants.

This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date.

The warrants classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. Warrants classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the warrants. Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

(h) Derivative financial instruments and hedge accounting

The Corporation has not entered into any derivative financial instruments and has not applied hedge accounting for the periods ending September 30, 2017 and September 30, 2016.

(i) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of profit and loss and comprehensive income on the purchase, sale, issue, or cancellation of the Corporation's own equity instruments. Any difference between the carrying amount and the consideration is recognized in capital reserves.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(j) Property and equipment**

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses (if any). Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long term construction projects if the recognition criterion are met. When significant parts of property and equipment are required to be replaced in intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit and loss and comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset, if any, after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Computer software	Straight-line 1-2 years
Computer equipment	Straight-line 2-4 years
Office equipment	Straight-line 4-10 years
Leasehold improvements	Straight-line over the lesser of the expected term of the lease or the useful life of the asset

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss and comprehensive income when the asset is derecognized.

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(k) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit and loss and comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Leases (cont'd)

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. For the periods ending September 30, 2017 and September 30, 2016, the Corporation did not hold any finance leases. Operating lease payments are recognized as an expense in the statement of profit and loss and comprehensive income on a straight line basis over the lease term.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the year they occur. Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds. For the periods ending September 30, 2017 and September 30, 2016, the Corporation did not capitalize any borrowing cost.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Certain internally generated intangible assets are capitalized, as they meet the criterion under IAS 38.

(n) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Product development costs

Research and product development costs include out of pocket cost and direct overhead. Research costs are expensed as incurred. Product development costs are expensed as incurred unless they meet the IAS 38 criterion for deferral and amortization. Development activities involve a plan or design for the production of a new core of substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. All other development expenditure is recognized in statement of profit and loss and comprehensive income as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Product development costs (cont'd)

Capitalized development costs (intangible asset) with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives of intangible assets are reviewed annually. Intangible assets are tested for impairment as required by IAS 38 and IAS 36 if there are indicators of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the intangible assets or the cash-generating unit exceeds their recoverable amount. Impairment losses are recognized in the statements of comprehensive income. Amortization is provided on a straight line basis over 10 years.

(p) Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset or cash-generating unit (CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's (CGU) recoverable amount. An asset's (CGU) recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit (CGU). In determining fair value less costs of disposal, an appropriate valuation model is used. The Corporation has cash-generating units which impairment could be tested against. The Corporation had no goodwill or indefinite life intangible assets for the periods ending September 30, 2017 and September 30, 2016.

Impairment losses of continuing operations are recognized in the statement of profit and loss and comprehensive income in those expense categories consistent with the function and nature of the impaired asset.

For non financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the non financial asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non financial asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the non financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non financial asset in prior periods. Such reversal is recognized in the statement of profit and loss and comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. The Corporation uses the indirect method of reporting cash flow from operating activities.

(r) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of profit and loss and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the expected warranty data and an expected weighting of all possible outcome against their associated probabilities.

A provision for restructuring is recognized when the Corporation has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provision is made for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost net cost of continuing with the contract.

Before a provision is established, the Corporation recognizes any impairment loss on the asset associated with the contract.

(s) Basic and Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the income for the year by the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method for calculating the dilutive effect of the outstanding stock options and other dilutive securities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Basic and Diluted Earnings Per Share (cont'd)

Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted income per share assumes that the proceeds to be received on the exercise of dilutive share options are used to repurchase common shares at the average market price during the year.

(t) Share-based compensation

The Corporation has a share based compensation plan. The Corporation accounts for share based compensation options granted to employees and consultants using the fair value method. Under this method, compensation expense for share based compensation granted is measured at the fair value at the grant date, using the Black-Scholes option valuation model.

In accordance with the fair value method, the Corporation recognizes estimated compensation expense related to share based compensation over the vesting period of the options granted, with the related credit being charged to capital reserves. Consideration paid by employees on the exercise of share based compensation is recorded as capital stock and the related share based compensation is transferred from capital reserves to capital stock.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting years. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

In the process of applying the Corporation's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Revenues

The Corporation derives revenue from fees charged to customers for licenses for software products and for professional services (support, consulting, development, training, etc.). Some of the software arrangements may contain multiple elements (product sales and professional services). The Corporation accounts for software, consulting and other service deliverables as separate units of accounting and allocate revenue based on their individual fair values. The revenue amounts allocated to the individual elements are recognized when the revenue recognition criteria have been met for the respective element.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single element.

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. 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.

Impairment of non-financial assets

Impairment exists when the carrying value of a non financial asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's budget and do not include restructuring activities, if any, that the Corporation is not yet committed to or significant future investments that will enhance the non financial asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash-generating units may include a sensitivity analysis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships and the long term nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Corporation may establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets, if any, are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

Share-based compensation

The Company has a share based compensation plan. The Corporation accounts for share based compensation options granted to employees and consultants using the fair value method determined using the Black-Scholes option valuation model. The estimated compensation expense related to share based compensation is recognized over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid by employees on the exercise of share based compensation is recorded as capital stock and the related share based compensation is transferred from capital reserves to capital stock.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

6. 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.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

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6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

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.

7. OPERATING SEGMENT INFORMATION

For management purposes, the Corporation is organized into two operating segments.

The Corporation's chief decision makers; the Chief Executive Officer, the President and the Chief Financial Officer, tracks the Corporation's operations by country;

These country segments represent the Corporation's reportable operating segments, which are used to manage the business. The Corporation analyzes the performance of its operating segments based on expenditures and revenue growth.

Statement of profit and loss for the three months ending September 30, 2017

For the three months ending September 30, 2017	NTG Canada	NTG Egypt	Consolidated Total
Revenue	\$ 3,027,291	\$ 281,844	\$ 3,309,135
Total revenue	\$ 3,027,291	\$ 281,844	\$ 3,309,135
Gross margin	\$ 1,892,990	\$ (42,234)	\$ 1,850,756
Expenses	(1,357,683)	(148,672)	(1,506,357)
Depreciation / Amortization	(100,854)	(3,244)	(104,096)
Interest	(108,110)	—	(108,110)
Exchange loss on translation		(885)	(885)
Net income before taxes	\$ 326,343	\$ (195,035)	\$ 131,308
Taxes	—	—	—
Net income after taxes	\$ 326,343	\$ (195,035)	\$ 131,308

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

7. OPERATING SEGMENT INFORMATION (cont'd)**Statement of profit and loss for the three months ending September 30, 2016**

For the three months ending September 30, 2016	NTG Canada	NTG Egypt	Consolidated Total
Revenue	\$ 2,349,592	\$ 913,150	\$ 3,262,742
Total revenue	\$ 2,349,592	\$ 913,150	\$ 3,262,742
Gross margin	\$ 858,791	\$ 304,665	\$ 1,163,456
Expenses	(1,453,741)	(276,688)	(1,730,429)
Depreciation / Amortization	(187,760)	—	(187,760)
Interest	(94,306)	—	(94,306)
Exchange loss on translation	—	(32,458)	(32,458)
Net income before taxes	\$ (877,016)	\$ (4,481)	\$ (881,497)
Taxes	—	—	—
Net income after taxes	\$ (877,016)	\$ (4,481)	\$ (881,497)

Statement of profit and loss for the nine months ending September 30, 2017

	NTG Canada	NTG Egypt	Consolidated Total
Revenue	\$ 8,837,907	\$ 1,628,114	\$ 10,466,021
Total revenue	\$ 8,837,907	\$ 1,628,114	\$ 10,466,021
Gross margin	\$ 3,210,072	\$ 511,006	\$ 3,721,078
Expenses	(3,481,890)	(512,780)	(3,994,669)
Depreciation / Amortization	(302,318)	(12,645)	(314,963)
Interest	(313,274)	—	(313,274)
Exchange loss on translation	—	(230,153)	(230,153)
Net income before taxes	\$ (887,410)	\$ (244,572)	\$ (1,131,981)
Taxes	—	—	—
Reversal of impairment of unbilled revenues	425,172	—	425,172
Net income after taxes	\$ (462,238)	\$ (244,572)	\$ (706,810)

Statement of profit and loss for the nine months ending September 30, 2016

For the nine months ending September 30, 2016	NTG Canada	NTG Egypt	Consolidated Total
Revenue	\$ 8,299,745	\$ 2,473,459	\$ 10,773,204
Total revenue	\$ 8,299,745	\$ 2,473,459	\$ 10,773,204
Gross margin	\$ 3,288,418	\$ 1,041,227	\$ 4,329,645
Expenses	(6,227,110)	(691,126)	(6,918,236)
Depreciation / Amortization	(521,073)	(85,152)	(606,225)
Interest	(245,081)	—	(245,081)
Exchange loss on translation	—	(437,354)	(437,354)
Net income before taxes	\$ (3,704,846)	\$ (172,405)	\$ (3,877,251)
Taxes	—	—	—
Net income after taxes	\$ (3,704,846)	\$ (172,405)	\$ (3,877,251)

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

7. OPERATING SEGMENT INFORMATION (cont'd)

The Corporation's assets are located in Canada and the Middle East.

Long term asset additions for the three months ended September 30, 2017

	NTG Canada	NTG Egypt	Consolidated Total
Asset additions for the three months ending September 30, 2017			
Property and equipment	\$ 5,932	\$ -7,038	\$ -1,106
Intangible assets	—	—	—
	\$ 5,932	\$ -7,038	\$ -1,106

Long term asset additions for the three months ended September 30, 2016

	NTG Canada	NTG Egypt	Consolidated Total
Asset additions for the three months ending September 30, 2016			
Property and equipment	\$ 23,377	\$ 80,624	\$ 104,001
Intangible assets	540,327	—	540,327
	\$ 563,704	\$ 80,624	\$ 644,328

Long term assets for the nine months ended September 30, 2017

	NTG Canada	NTG Egypt	Consolidated Total
Assets as at September 30, 2017			
Property and equipment	\$ 10,245	\$ 8,666	\$ 18,911
Intangible assets	—	—	—
	\$ 10,245	\$ 8,666	\$ 18,911

Long term assets for the nine months ended September 30, 2016

	NTG Canada	NTG Egypt	Consolidated Total
Assets as at September 30, 2016			
Property and equipment	\$ 158,864	\$ 109,248	\$ 268,112
Intangible assets	5,536,599	—	5,536,599
	\$ 5,695,463	\$ 109,248	\$ 5,840,711

The Corporation determines the geographic location of revenues based on the location of its customers.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

7. OPERATING SEGMENT INFORMATION (cont'd)**Sales by geographic location for the three months ending September 30,**

	2017	2016
Canada	\$ —	\$ 24,695
Saudi Arabia	1,531,418	1,349,509
Egypt	281,844	913,150
Kuwait	960,369	613,664
Oman	535,505	361,725
	\$ 3,309,135	\$ 3,262,742

Sales by geographic location for the nine months ending September 30,

	2017	2016
Canada	\$ —	\$ 254,352
Saudi Arabia	5,332,509	5,385,599
Egypt	1,628,114	2,473,459
Qatar	—	23,759
Kuwait	2,895,617	2,206,135
Oman	609,781	429,900
	\$ 10,466,021	\$ 10,773,204

The majority of the Corporation's revenue is derived from the telecommunication industry and was earned through service contracts from a few customers. In Q3 2017, 22% (Q3 2016: 15%) of the Corporation's revenue was derived from one customer.

Receivables by segment	September 30, 2017	December 31, 2016
Canada	\$ 6,166,297	\$ 4,405,569
Egypt	513,063	478,131
	\$ 6,679,360	\$ 4,883,700

As at September 30, 2017, approximately 26% (December 31, 2016: 22%) of the Corporation's trade accounts receivable balance was from two customers.

8. INCOME TAXES

There is no provision for Canadian taxes in this period.

9. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

9. EARNINGS PER SHARE (cont'd)

The outstanding number and type of securities that could potentially dilute basic net income per share in the future but that were not included in the computation of diluted net income per shares because to do so would have reduced the earnings per share (anti dilutive) for the year presented are as noted below.

The following outstanding instruments could have a dilutive effect in the future:

As at September 30, 2017

Options – Share-based payments (Note a) 3,264,000

Note a: Of which 2,611,500 had vested as of September 30, 2017.

The following reflects the earnings and unit data used in the basic and diluted earnings per share computations:

September 30,	2017	2016
Net earnings attributable to ordinary equity holders of the parent for basic earnings	\$ (706,810)	\$ (3,877,251)
Net earnings attributable to ordinary equity holders of the parent adjusted for the effect of dilution	\$ (706,810)	\$ (3,877,251)

September 30,	2017	2016
Weighted average number of common shares outstanding for basic earnings per share	41,962,355	36,224,891
Weighted average number with the effect of dilution on common shares	45,192,106	40,495,587
Income per share (basic)	\$(0.027)	\$(0.09)
Income per share (diluted)	\$(0.025)	\$(0.08)

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash at banks and on hand in the amount of \$60,858 as at September 30, 2017 (December 31, 2016: \$234,761).

11. TRADE AND OTHER RECEIVABLES

	September 30, 2017	December 31, 2016
Trade receivables	\$ 2,313,043	\$ 2,627,577
Less: Impaired	(13,162)	(19,560)
Trade receivables after impairment	2,299,881	2,608,017
Unbilled revenue	3,610,069	3,318,700
Less: Impaired	–	(1,054,355)
Unbilled revenue after impairment	3,610,069	2,264,345
Total trade receivables and unbilled revenue after impairment	5,909,950	4,872,362

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

	September 30, 2017	December 31, 2016
Receivables from tax authorities	41,562	33,862
HST receivable	(12,070)	(32,067)
Income tax receivable	730,375	730,375
Other receivables	9,543	9,543
Total trade and other receivables	\$ 6,679,360	\$ 5,614,075

Trade receivables are non interest bearing and are generally on 30-180 day terms.

Neither past due nor impaired	September 30, 2017	December 31, 2016
Current	\$ 888,819	\$ 1,138,361
30 – 60 days	84,502	314,695
61 – 90 days	512,592	811,495
91 – 180 days	742,104	337,557
Past due but not impaired		
Greater than 180 days	71,864	5,909
	\$ 2,299,881	\$ 2,608,017

Unbilled revenue consists of service revenue that has already been rendered as at September 30, 2017 and recognized in accordance with the Corporation's revenue recognition policy from Note 4.

12. PREPAID EXPENSES AND DEPOSITS

December 31,	September 30, 2017	December 31, 2016
Prepaid rent	\$ 86,176	\$ 100,572
Prepaid insurance	93,090	65,292
Deposits on subcontracting consulting work	–	23,645
Other prepaids	14,886	2,550
	\$ 194,152	\$ 192,059

13. PERFORMANCE AND BID BONDS

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 has two performance bonds and an advance payment guarantee issued in its name 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.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

13. PERFORMANCE AND BID BONDS (cont'd)

Premiums for these bonds for the three months and nine months ended September 30, 2017 were \$15,706 and \$42,220 (December 31, 2016: \$8,196 and \$29,511). Performance bonds typically remain in place for a period of one year from the start of the project and are released back to the Corporation when the project is completed, subsequent to customer acceptance. Bid bonds are typically in place for a 90-120 day period but can be extended.

14. PROPERTY AND EQUIPMENT

The amount of borrowing costs capitalized during the period ending September 30, 2017 was \$NIL (2016: \$NIL).

	Furniture and Equipment	Computer Equipment	Computer Software	Total
Cost:				
At December 31, 2015	\$528,006	\$712,204	\$389,048	\$1,629,258
Additions	38,423	30,109	11,948	80,480
Disposals	—	—	—	—
At December 31, 2016	\$566,429	\$742,313	\$400,996	\$1,709,738
Additions	—	13,854	—	13,854
Disposals	—	—	—	—
At September 30, 2017	566,429	\$756,167	\$400,996	\$1,723,592
Depreciation and impairment:				
At December 31, 2015	\$365,993	\$665,601	\$313,216	\$1,344,810
Depreciation for the period	26,517	23,447	42,385	92,349
Impairment	—	—	—	—
Disposals	—	—	—	—
At December 31, 2016	\$392,510	\$689,048	\$355,601	\$1,437,159
Depreciation for the period	10,230	22,788	496	33,514
Impairment	—	—	—	—
Disposals	58,767	—	—	58,767
At September 30, 2017	\$461,507	\$711,836	\$356,097	\$1,529,440
Net book value:				
At September 30, 2017	\$104,922	\$44,331	\$44,899	\$194,152
At December 31, 2016	\$173,919	\$53,265	\$45,395	\$272,579

15. INTANGIBLE ASSETS

Intangible assets related to the upgrade of the internally developed NTS software, and in 2016, to our StageEM software product. Expenditures on development of the software are recognized as an asset from the time the Corporation has determined an indefinite future economic benefit exists.

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September 30, 2017 and 2016

15. INTANGIBLE ASSETS (cont'd)

NTS is a retail management software for telecommunication companies. The development costs are determined to have a useful life of 10 years are amortized on a straight line basis. The amount capitalized as at September 30, 2017 is \$NIL (December 31, 2016: \$NIL) in development costs. During the period, an amortization expense of \$91,104 (December 31, 2016: \$364,417) was recognized. The NTS software will be fully amortized by 2023.

StageEM is a goal focused integrated software solution that improves organizational efficiency by integrating strategic planning, business planning, demand and capacity management, operation optimization, portfolio project management and analytics. NTG currently records no net book value for StageEM.

	NTS Development Costs	StageEM Development Costs	Total
Cost:			
At January 1, 2016	\$ 3,644,168	\$ 2,308,200	\$ 5,952,368
Additions	—	2,124,936	2,124,936
Disposals	—	—	—
At December 31, 2016	\$ 3,644,168	\$ 4,433,136	\$ 8,077,304
Additions	—	—	—
Disposals	—	—	—
At September 30, 2017	\$ 3,644,168	\$ 4,433,136	\$ 8,077,304
Amortization and impairment:			
At January 1, 2016	\$ 1,541,516	\$ 70,872	\$ 1,612,388
Amortization for the year	364,417	316,938	681,355
Impairment	—	4,045,326	4,045,326
Disposals	—	—	—
At December 31, 2016	\$ 1,905,933	\$ 4,433,136	\$ 6,339,069
Amortization charge for the period	273,312	—	273,312
Impairment	—	—	—
Disposals	—	—	—
At September 30, 2017	\$ 2,179,245	\$ 4,433,136	\$ 6,612,381
Net book value:			
At September 30, 2017	\$ 1,464,923	\$ —	\$ 1,464,923
At December 31, 2016	\$ 1,738,235	\$ —	\$ 1,738,235

The Corporation had no indicators of impairment of the NTS development costs for the period ended September 30, 2017. An impairment test is performed on non-current assets at year end, or when indicators warrant it.

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16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2017	December 31, 2016
Trade payables	\$ 3,796,660	\$ 3,237,501
Accrued liabilities	72,000	184,455
Related parties payable	190,107	162,331
Taxes payable	32,504	12,208
Other accounts payable	516,126	151,340
	\$ 4,607,397	\$ 3,747,835

Terms and conditions of the above financial liabilities:

- Some trade payables are interest bearing
- Accrued liabilities are non interest bearing
- Related parties payables are non interest bearing and have no specified terms of repayment
- Other accounts payable are non interest bearing

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES**(a) Other financial liabilities****Bank indebtedness**

	September 30, 2017	December 31, 2016
	\$ 7,396,005	\$ 7,432,537

From May 2016 until March 2017, the Corporation had a \$3.2 million demand credit facility ("Facility 1") and a \$4.5 million pre-shipping facility ("Facility 2") with Royal Bank of Canada, Knowledge Based Industries Banking Group – Ontario. 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 \$2,191,890. 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 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. In August 2017, the agreement was amended to extend the repayment date to March 1, 2018, and the bank requires NTG to pay \$50,000 towards this amount each month.

Additionally, at September 30, 2017, the Corporation also has two performance bonds and an advance payment guarantee issued in its name 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.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)**(b) Fair values**

Set out below is a comparison by class of the carrying amount and fair value of the Corporation's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Financial assets				
Cash and cash equivalents	\$ 60,858	\$234,761	\$ 60,858	\$234,761
Trade and accounts receivable	6,679,360	5,614,075	6,679,360	5,614,075
Performance bonds	82,903	45,635	82,903	45,635
Total Financial Assets	\$6,823,121	\$5,894,471	\$6,823,121	\$5,894,471

	Carrying Amount		Fair Value	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Financial liabilities				
Accounts payable and accrued liabilities	\$ 4,607,397	\$3,747,835	\$ 4,607,397	\$3,747,835
Operating line	7,396,005	7,432,537	7,396,005	7,432,537
Current long term debt	—	—	—	—
Long term debt	—	—	—	—
Total Financial Liabilities	\$12,003,402	\$11,180,372	\$12,003,402	\$11,180,372

The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in an orderly transaction between market participants in an arm's length transaction at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Trade and other accounts receivables, accounts payable and accrued liabilities, other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities (loans payable) are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

Fair value hierarchy

As at September 30, 2017, the Corporation held cash measured at fair value.

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

- **Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- **Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value	September 30, 2017	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 60,858	\$ 60,858	\$ –	\$ –
No liabilities were measured at fair value	\$ –	\$ –	\$ –	\$ –

During the reporting period ending September 30, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. EQUITY INSTRUMENTS**(a) Common shares**

As at September 30, 2017, the authorized share capital consists of an unlimited number of first preferred shares, second preferred shares and common shares.

To date, no first or second preferred shares have been issued. Before any shares of a particular preferred share series are issued the directors of the Corporation, by resolution shall fix the dividend rates, whether the dividends are cumulative and the redemption price of the redeemable shares.

Changes in the issued common shares of the Corporation are as follows:

	Common Shares	Amount
Balance, January 1, 2016	36,154,891	\$ 8,881,959
Shares issued (i)	70,000	7,250
Allocation of contributed surplus (i)	–	4,855
Balance, September 30, 2016	36,224,891	\$ 8,894,064
Shares issued	–	–
Allocation of contributed surplus	–	–
Balance, December 31, 2016	36,224,891	\$ 8,894,064
Shares issued on exercise of share options (ii)	250,000	25,000
Allocation of contributed surplus (ii)	–	5,000
Shares issued on debt for shares transaction (iii)	5,487,464	384,122
Balance, September 30, 2017	41,962,355	\$ 9,308,186

- (i) Over the course of the 2016 fiscal year, various employees and consultants exercised a total of 70,000 options, with a total value of \$7,250. These transactions resulted in a re-allocation of contributed surplus to capital stock in the amount of \$4,855.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

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18. EQUITY INSTRUMENTS (cont'd)

(ii) In Q1 2017, various employees and consultants exercised a total of 250,000 options, with a total value of \$25,000. These transactions resulted in a re-allocation of contributed surplus to capital stock in the amount of \$5,000.

(iii) The Corporation offered employees and consultants the opportunity to participate in a debt for shares private placement. Subsequent to TSX approval, on January 13, 2017, the Corporation closed the offering and issued 5,487,464 common shares (at \$0.07 per share) for a total value \$384,122. 1,871,429 of these shares were issued to directors of the Corporation.

(b) Share-based payments

The Corporation has a formal stock option plan allowing the Corporation to issue options to its directors, officers, employees and consultants in order to attract and retain qualified and experienced individuals. The Board of Directors determines the exercise price and the number of options to be granted as well as all the terms of conditions of the options. All options granted by the Corporation are non assignable. The options generally expire three years subsequent to the date of grant and vest over two years.

No options were granted to non employees during Q3 2017. Details of stock options are as follows:

	Options	Weighted average exercise price
Balance, 1 January 2016	4,243,000	\$ 0.31
Granted	1,868,000	\$ 0.11
Exercised	(70,000)	0.10
Expired	(2,031,000)	0.36
Balance, December 31, 2016	4,010,000	\$ 0.19
Granted	225,000	\$ 0.10
Exercised	(250,000)	0.10
Expired	(721,000)	0.23
Balance, September 30, 2017	3,264,000	\$ 0.18

The stock options expire at various dates between November 2017 and September 2020. The weighted average expected contractual lives of outstanding and exercisable options are as follows:

Options Outstanding			Options Exercisable	
Exercise Price	Number of outstanding September 30/17	Expected life of option (years)	Number of outstanding September 30/17	Expected life of option (years)
\$ 0.10	1,518,000	2.13	865,500	2.11
0.15	80,000	1.15	80,000	1.15
0.16	50,000	1.47	50,000	1.47
0.17	266,000	1.27	266,000	1.27
0.23	180,000	0.15	180,000	0.15
0.26	320,000	0.66	320,000	0.66
0.27	150,000	0.77	150,000	0.77

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

Exercise Price	Options Outstanding		Options Exercisable	
	Number of outstanding September 30/17	Expected life of option (years)	Number of outstanding September 30/17	Expected life of option (years)
0.30	700,000	10.57	700,000	10.57
Total	3,264,000	1.02	2,611,500	1.02

For the three months ended September 30, 2017, the Corporation recorded \$11,488 (Q3 2016: \$23,459) as contributed surplus and compensation expense, which is measured at fair value at the date of grant and is expensed over the option's vesting period.

For the nine months ended September 30, 2017, the Corporation recorded \$34,525 (Q3 2016: \$112,126) as contributed surplus and compensation expense, which is measured as above. The weighted average fair value of options granted during Q3 2017 is \$0.10 (Q3 2016: \$0.107).

In determining the amount of share-based compensation, the Corporation used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions:

September 30	2017	2016
Stock price	\$0.035	\$0.09
Risk-free interest rate	0.81%	0.52%
Expected life (years)	3 years	3 years
Expected dividend yield	0%	0%
Expected volatility	62.77%	77.76%
Fair value of options issued in the period	0.01	0.11

19. CONTRIBUTED SURPLUS

Contributed surplus for the period ending September 30, 2017 consisted of \$34,525 (December 31, 2016: \$106,278) for share-based payments and re-allocation of contributed surplus on exercise of share options \$5,000 (December 31, 2016: \$4,855).

Opening balance January 1, 2017	\$ 1,673,940
Share-based payments	34,525
Reallocation on exercise of share options	(5,000)
Balance as at September 30, 2017	\$ 1,703,465

20. DIVIDENDS PAID AND PROPOSED**Cash dividends**

The Corporation's practice is to not make dividend payments to shareholders.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

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21. COST OF SALES

The details of the Corporation's cost of sales are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Salaries	\$ 1,255,690	\$ 1,845,692	\$ 6,086,922	\$ 5,439,757
Travel	98,886	85,663	235,341	404,738
Other	103,803	167,932	422,680	599,065
Total	\$ 1,458,379	\$ 2,099,287	\$ 6,744,943	\$ 6,443,560

22. EXPENSES: DISCLOSURE OF FUNCTION EXPENSES

The details of the Corporation's function expenses are as follows:

	For the three months ended		For the nine months ended	
Selling	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

	For the three months ended		For the nine months ended	
General and Administrative	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

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

23. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of the Corporation and the subsidiaries listed in the following table:

Name	Country of Incorporation	Equity Interest
NTG Egypt Advanced Software (subsidiary)	Egypt	95%
NTG Clarity Networks US Inc. (subsidiary)	USA	100%

The following tables provide the balances owing to key management and key management compensation for the years:

	Amounts Owed by Related Parties	Amounts Owed to Related Parties	
Key management personnel of the Corporation:			
September 30, 2017	\$ 300,000		
September 30, 2016	300,000		
Key management compensation		September 30, 2017	September 30, 2016
Short term employee benefits		\$ 357,092	\$ 465,569
Total		\$ 357,092	\$ 465,569

The Ultimate Parent

The Corporation is the ultimate parent entity.

Related Party Transactions

Certain intercompany transactions between the Corporation and its subsidiaries, which are related parties to the Corporation, have been eliminated.

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.

Entity with significant influence over the Corporation

No single entity or party has significant influence over the Corporation. As at September 30, 2017 the Corporation has 41,962,355 common shares outstanding. Related parties (direct and indirect) holdings are as follows:

Ashraf Zaghloul, CEO	6,132,062
Kristine Lewis, CFO	3,643,417
Mohamed Adel Zaghloul	1,153,714
Mohammad Zafar Farooqui	729,762
Nick Hamilton-Piercy	85,714

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**September 30, 2017 and 2016

23. RELATED PARTY DISCLOSURES (cont'd)**Terms and conditions of transactions with related parties**

Outstanding balances with related parties at the period end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. All transactions with the related parties are carried out in the normal course of operations, and are recorded at fair value.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's primary risk management objective is to protect the Corporation's balance sheet and cash flow.

The Corporation's principal financial liabilities comprise of bank overdraft, long term debt and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Corporation's operations.

The Corporation is exposed to market risk, interest rate risk, foreign exchange risk, credit risk, and liquidity risk.

The Corporation's senior management oversees the management of these risks. The Corporation's senior management is supported by a Committee that advises on financial risks and the appropriate financial risk governance framework for the Corporation.

The Committee provides assurance to the Corporation's senior management that the Corporation's financial risk taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Corporation's policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

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.

Interest rate 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 period, the Corporation paid \$108,110 (Q3 2016: \$94,306) interest on its loans and liabilities.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

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 (Q3 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 parent entity'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

Commodity price risk

The Corporation is not subject to price risk from fluctuations in market prices of commodities.

Equity price risk

The Corporation has no exposure to equity price risk.

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. The Corporation's financial instruments that are exposed to credit risk consist primarily of trade receivable. The Corporation's exposure to credit risk is impacted by the economic conditions for the industry which could affect the customers' ability to satisfy their obligations. In order to reduce risks, the Corporation performs periodic credit evaluations of the financial conditions of its 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. The Corporation also mitigates credit risk through credit insurance coverage with Export Development Canada as explained in Note 25.

The aging of trade accounts receivable is shown in Note 11.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

September 30, 2017 and 2016

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

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.

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:

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

Long term debt is calculated by adding the current portion of long term debt and the interest due in 2017. The interest due ranges from prime + 1.05 to prime + 2.05%. The Corporation accrues expenses when incurred. Accounts are deemed payable once an event occurs that requires payment by a specific date. 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 risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within one month.

The aging of trade accounts payable are as follows:

	September 30, 2017	December 31, 2016
Current	\$ 981,444	\$ 2,113,151
31 – 60 days	823,392	259,347
61 – 90 days	294,110	236,732
91 – 180 days	885,650	272,376
More than 180 days	812,064	355,895
	\$ 3,796,600	\$ 3,237,501

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**September 30, 2017 and 2016

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**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 formal changes in the Corporation's approach to capital management during the period ending September 30, 2017 and no changes were made in the objectives, policies, or processes during the period ending September 30, 2017. However, the Corporation is currently working to re-assess the adequacy of its capital structure and capacity and make adjustments within the context of our 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.

25. COMMITMENTS, CONTINGENCIES, AND GUARANTEES

Export Development Canada

The Corporation has an agreement with Export Development Canada ("EDC") whereby EDC agreed to provide ninety percent (90%) insurance coverage for the Corporation's invoiced sales and 75% of pre-shipment costs. All coverage is based on approved customers by EDC. The premium paid ranges based on the customer and the customer's country of residence.

For the three months ending September 30, 2017, the premiums paid ranged from \$0.00707 - \$0.0104 per \$100 of monthly invoiced amount (Q3 2016: \$0.00531 - \$0.00942). The policy period is from April 1, 2016 to March 31, 2017 with an annual renewal unless the policy is terminated by the Corporation. The policy was renewed for another year until March 31, 2018.

During the three and nine months ended September 30, 2017, the Corporation recorded total premiums of \$15,706 and \$42,220 included in general and administration expenses respectively (2016: \$15,593 and \$21,315).

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**September 30, 2017 and 2016

25. COMMITMENTS, CONTINGENCIES, AND GUARANTEES (cont'd)**Operating lease commitments – Corporation as lessee**

The Corporation is committed under agreements for the rental of office space in Canada, Kuwait, Saudi Arabia, and Oman at a monthly rate ranging from \$2,127 to \$9,232 for the period from January 1, 2016 to May 31, 2021,

The lease commitments for the office premises are as follows:

	September 30, 2017	December 31, 2016
2017	28,426	113,704
2018	112,244	112,244
2019	110,784	110,784
2020	110,784	110,784
2021	46,160	46,160
	<u>\$ 408,398</u>	<u>\$ 493,676</u>

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.

26. COLLATERAL

The Corporation has pledged its assets under a General Security Agreement ("GSA") as disclosed in Note 17. The Corporation did not hold collateral at September 30, 2017, and September 30, 2016.

27. COMPARATIVE FIGURES

Certain of the 2016 figures have been reclassified to conform with the current year's financial statement presentation.

NTG CLARITY NETWORKS INC.**Notes to the Unaudited Interim Consolidated Financial Statements**

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28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to quarter end, in October 2017, the Company announced two new contracts:

- a frame agreement contract with an operator in the Gulf region, to support the country's most advanced mobile telecommunications service provider, to help enhance its operational efficiency. The initial phase is estimated at \$4.5 Million CDN over a three-year period. NTG will provide technical professional resources and services to support various Technology Operations within the company.
- a project with a government agency in the Gulf region estimated at \$300,000 CDN over a one-year period. The project is to support the agency with maintaining its software applications systems and enhancing its operational efficiency.